Austria	Sch. 15	Indonesia	Rp 2500	Portugal	Esc 65
Bahrain	Din 0.650	Italy	L 1100	S. Arabia	Rls 6.00
Belgium	BFr 35	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pta 95
Cyprus	Mils 600	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	DKr 7.00	Lebanon	L£ 6.00	Sweden	SKr 6.50
Egypt	E£1.00	Luxembourg	LFr 35	Switzerland	SwFr 2
Finland	Fmk 5.50	Malaysia	Rm 4.25	Taiwan	NT $55
France	FFr 5.50	Mexico	Pes 300	Tunisia	Din 0.600
Germany	DM 2.00	Morocco	Dh 6.00	Turkey	L 160
Greece	Dr 60	Netherlands	Fl 2.25	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	NKr 6.00	U.S.A.	$1.50
India	Rup 15	Philippines	Pes 20		

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,195 Tuesday December 13 1983 D 8523 B

After the EEC summit: Mitterrand's smack of Gaullism, Page 18

NEWS SUMMARY

Kuwait embassies hit by explosions

A group calling itself the Islamic Jihad (Holy War) Organisation in Beirut claimed responsibility for six bomb explosions yesterday in the Gulf state of Kuwait.

The U.S. and French embassies were among the targets. At least four people were killed and 54 injured.

The organisation, assumed to be Shia Moslems who support Iran's Khomeini regime, claimed responsibility for the October 23 Beirut bombings in which nearly 300 U.S. and French soldiers were killed.

The attack on the U.S. embassy in Kuwait was similar to the one against U.S. marines in Beirut: a "suicide" assault in which a lorry laden with explosives crashed through the gates.

In Beirut, three British soldiers strayed into a suburb held by Shia militia and were detained by gunmen. They were later released. Lebanese troops clashed with anti-Government militia before a new ceasefire came into effect. Page 20

GENERAL

European initiative on Ulster

Danish Liberal Nils Haagerup, who has been investigating the Northern Ireland problem for the European Parliament for nine months, has tabled a motion calling for new political arrangements in Ulster and a joint Anglo-Irish parliamentary body.

It will come before the Parliament's political affairs committee, whose decision to launch the investigation drew a protest from British Conservative and Unionist politicians. Page 20

U.S. troops leave

About 1,000 U.S. paratroops left Grenada, completing the total withdrawal 11 days ahead of the deadline set by Washington.

Soviet admission

Soviet space officials confirmed that two cosmonauts ejected to safety from an exploding launch rocket in September and that the manned Salyut-7 orbiting station had suffered a fuel leak. Earlier reports of troubles affecting the mission were denied.

Ozal Cabinet delay

Turkey's President Kenan Evren, leader of the 1980 military coup, unexpectedly delayed ratification of Premier-elect Turgut Ozal's new Cabinet. Page 3

Danish poll expected

Danish Premier Poul Schluter is expected to call a general election on Thursday for January 5 or 10. His four-party minority government is likely to be defeated over the 1984 Finance Bill. Page 2

Spanish greens group

Spanish ecologist organisations and other fringe movements agreed to set up a political party on the lines of the West German Greens.

S. African warning

South African police, already investigating recent bomb explosions and arms finds, warned that an upsurge in guerrilla attacks is likely this month.

Salvage bid dropped

Salvage teams abandoned attempts to save Greek tanker Pericles, filled with 46,000 tonnes of crude oil and ablaze off Qatar, with fire in all seven holds.

Directors defended

Turkey's Finance Ministry defended three bank directors who face smuggling charges, saying they were expected to be cleared. Page 3

War murder charge

Former SS lieutenant Arnold Strippel, 72, has been charged in Hamburg with murdering about 40 Jews in April 1945, 20 of them children on whom he allegedly carried out medical experiments.

BUSINESS

Troubles push dollar even higher

● DOLLAR was pushed even higher as a result of the explosions in Kuwait, climbing to a ten-year high of DM 2.753 (from DM 2.749), a record FFr 8.3925 (FFr 8.355), and a 13-month high of SwFr 2.2125 (SwFr 2.207). But it was unchanged at Y236.5. Its Bank of England trade-weighted index moved from 130.2 to 130.4. In New York it closed at DM 2.7605; FFr 8.3950; SwFr 2.2185 and Y236.65. Page 43

● STERLING fell 45 points to a record closing low of $1.431, and was drifting lower later in New York. It also eased to DM 3.9425 (DM 3.9475), and Y338.75 (Y339.5), but was unchanged at SwFr 3.1675, and rose to FFr 12.005 (FFr 11.9925). Its trade weighting fell from 82.6 to 82.5. In New York it closed at $1.426. Page 43

● GOLD rose $2.5 in London to $391.625. In Frankfurt it rose $2.75 to $391.5, and in Zurich the rise was $2.25 at $391.75. In New York the Comex December settlement was $390.40. Page 42

● COCOA prices reached their highest in London for nearly five years. The March futures position closed £27.50 up at £1,814.50 ($2,596.55) a tonne. Page 42

● LONDON: FT Industrial Ordinary index slipped 3.4 to 753.7. There were small falls in Government securities. Report, Page 37. FT Share information Service, Pages 38, 39. Changes to groupings in the constituents of the FT Actuaries indices, Page 28.

● WALL STREET: Dow Jones index closed up 1.53 at 1,261.59. Report, Page 33. Full share listings, Pages 34–36.

● TOKYO: Nikkei Dow index fell 6.9 to 9,442, but the Stock Exchange index edged up 0.73 to 699.47. Report, Page 33. Leading prices, other exchanges, Page 36

● UK OIL demand is expected to fall by between 5 and 15 per cent by the year 2000, but the country will cease to be self-sufficient by the end of the 1980s, forecasts Esso UK. Britain's tax revenue from North Sea oil will peak at £11.5bn in 1986, and then fall steeply, assuming prices remain stable, says the Institute for Fiscal Studies. Page 14

● CZECHOSLOVAKIA plans to raise industrial production by 2.9 per cent next year (compared with 2.4 per cent planned for 1983). Page 3

● UK GOVERNMENT wants to encourage the merger of City institutions and believes there is a need for more financial conglomerates. London Stock Exchange reform, Page 19. Details, Page 8

● XEROX, the U.S. office equipment maker, is buying private investment bank Van Kempen Merritt for $150m, plus up to $68m dependent on its next three years' earnings. Page 21

● ELDERS IXL, the Australian group, secured control of Carlton and United Breweries in an A$160m share market splash that took its outlay in the past week to A$450m ($411m) and its holding from 34 per cent to a shade more than 50 per cent. Page 23

Lloyds to acquire parts of crisis-hit W. German Bank

BY MARGARET HUGHES IN LONDON

Lloyds Bank has agreed in principle to acquire parts of the commercial banking business and all the investment banking operations of the crisis-hit privately owned West German bank, Schröder Münchmeyer Hengst (SMH).

Last month SMH was rescued by the West German banking community, which injected DM 830m ($303m) in support after it got into difficulties through over-extending its lending to IBH, the collapsed building machinery group.

The acquisition, estimated in Frankfurt to be worth up to DM 200m – although Lloyds would give no figure – is subject to licensing by the West German banking authorities. It would double Lloyds' assets in West Germany and take it into the investment banking business there for the first time.

Mr David Pirrie, general manager of Lloyds, said that, on the commercial banking side, Lloyds Bank would be acquiring all SMH's corporate client business excluding that relating to IBH and Wibau, the building equipment concern in which IBH has a large minority stake and which earlier this month filed for bankruptcy. Lloyds Bank will thus not be acquiring any of the loans or liabilities associated with those two companies. SMH had lent between DM 900m and DM 1bn to IBH.

The assets involved amount to DM 1.4bn, Mr Pirrie said, which include SMH's Hamburg, Frankfurt and Offenbach offices, employing 350 people. But the deal excludes SMH's Luxembourg operations. Shortly before the recent rescue, SMH had a balance sheet of DM 2.2bn.

Lloyds Bank International (LBI) currently has five branches in West Germany, all involved in commercial banking, with particular emphasis on foreign-exchange business and trade finance.

The SMH business will be undertaken as a separate and parallel operation to the LBI branch offices. The precise structure of the company has yet to be worked out but it will come under the LBI management umbrella.

Lloyds Bank becomes the third of the UK clearers to make an acquisition in West Germany. National Westminster Bank was the first, when it bought a 74 per cent stake in the privately owned Global Bank in 1974. It later, in 1980, bought out the remaining shareholders and has since merged the Global business with its Frankfurt branch, which now operate as Deutsche Westminster Bank, with a balance-sheet total of DM 1.5bn.

Midland Bank followed with a £60m deal in late 1980 when it acquired a 67 per cent stake in Trinkhaus & Burkhardt. About a year ago it stepped up its stake to 92 per cent by acquiring the shareholding of Banque Indosuez, but is known to be keen to attract other West German partners into the bank so that it can maintain its private bank status.

Barclays Bank's only presence in West Germany is through branches of Barclays Bank International in Frankfurt and Munich.

UK print union ordered to abandon strike call

BY PHILIP BASSETT, DAVID GOODHART AND JOHN LLOYD IN LONDON

BRITISH newspaper publishers yesterday won a series of High Court injunctions which ordered the craft print union, the National Graphical Association (NGA), to call off its 24-hour national strike due to start tonight.

Twenty national and provincial publishers, including the publishers of the Financial Times, were granted emergency injunctions and another 17 provincial employers are due to ask the court today for similar orders. The NGA called the strike after being fined £525,000 ($750,750) last Friday for contempt of court in continuing mass picketing of the Stockport Messenger printing plant in North-west England.

Yesterday's injunctions instructed the NGA and its general secretary, Mr Joe Wade, not to induce further breaches of contracts of employment at the newspapers, and to revoke the union's instructions to members to strike.

If, as seems likely, the NGA defies the court injunctions, the employers involved seem certain to press for more contempt of court fines, on top of the fines and costs arising from legal action in the Messenger dispute. These amount to about £700,000, and have already been taken from the union's sequestrated funds.

In addition, all the employers will be able to seek separate damages against the union under the 1982 Employment Act, up to a maximum of £250,000 each.

Together with claims already tabled by national newspaper employers after the weekend stoppage a fortnight ago, damages which could potentially result from all the court cases already exceed the NGA's total funds of just over £11m.

NGA members on Fleet Street (national) newspapers are due to strike from tonight to halt tomorrow's papers. While there were rumours circulating last night that a number of NGA Fleet Street chapels (office branches) were reluctant to join the strike, a meeting of NGA fathers of the chapels (senior branch officials) declared their unanimous support for the action. A number of officials on provincial papers were, however, last night reported to be opposed.

The NGA appealed last night for support from an emergency meeting of the employment policy committee of the Trades Union Congress (TUC). The signs were that union leaders were preparing to make the decision to refuse further help over the dispute, which began over the issue of a "closed shop" – employment of union members only – on the Stockport Messenger newspapers.

High Court officials went to the TUC meeting to serve newspaper publishers' writs to Mr Wade to revoke today's planned stoppage.

Mr Bill Booroff, NGA London regional secretary, said that the union would be in a very dangerous position without TUC support.

"We may be forced to decide we cannot prosecute the dispute any longer – and finding a way out will be a very difficult thing to do."

British Airways privatisation may go ahead in early 1985

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

PRIVATISATION of British Airways (BA) is to go ahead as soon as possible, "hopefully in early 1985." How much of the airline's share capital will be offered to the public is still not settled. That will be decided later, when, in the light of the impending British Telecom privatisation, there are clearer indications of what the market will absorb.

Mr Nicholas Ridley, the UK Government Transport Secretary, in a long statement to the House of Commons yesterday also moved some way to allay growing fears in the independent airline sector at the dangers of intensified competition from a privatised BA.

He said he had asked Mr John Dent, chairman of the Civil Aviation Authority, to study the problems of size, balance and competition in the industry to see if any changes might be needed in the licensing structure as a result of privatisation. The review is to be carried out urgently.

As a first step to privatisation, the Government will set up a new company, British Airways plc, by April 1, 1984, with an initial £50,000 ($72,000) capital, into which all the current assets of the state corporation will be transferred, including properties (such as aircraft), rights, liabilities and obligations.

This new company will initially be wholly owned by the Government, but will be trading as a company registered under the Companies Act.

The Government will guarantee the company's debts, up to the completion of privatisation, when that commitment will end.

Mr Ridley said that "final decisions on the timing of privatisation will depend on the airline's financial performance in the meantime, on the state of the stock market and on the general prospects for the airline industry."

Nor did Mr Ridley give any indications of possible government write-offs or write-downs of BA's debt, currently standing at close to £1bn, or any other capital reconstruction.

Acknowledging that there had been considerable interest in such matters, he said he had reached no firm decisions. "It will depend in part on BA's financial performance over the coming year. My aim is that, as far as possible, the necessary improvement to the airline's balance sheet should come through its own efforts," he said.

Already, the airline has repaid over £100m of borrowings since last March without government aid; and

Continued on Page 20

Privatisation up in the air, Page 19; Lex, Page 20

Budget likely to include tax rises, says Regan

By Stewart Fleming in Washington

THE REAGAN Administration is likely to include some proposals for raising taxes in its budget plans for fiscal 1985, but they will be enacted only if Congress acts to cut spending, U.S. Treasury Secretary Mr Donald Regan said yesterday.

He refused to say the revenue-raising proposals would be similar to the contingency tax scheme the Administration put into its 1984 budget plan. That was presented to Congress at the beginning of this year but not enacted.

The Administration fears Congress might ignore spending cuts included in the budget proposals and is determined to link them with the tax increases. It recognises, however, that both spending cuts and tax increases will be needed to reduce budget deficits significantly.

Mr Regan's remarks were made as the Administration prepared for the 1985 budget presentation to Congress, which will be made towards the end of January or early in February next year.

The prospect of budget deficits of $200bn a year stretching into the indefinite future has brought increased political pressure to bear on the Administration and sparked growing official concern about what steps it can propose to reverse the trend.

In recent weeks, Mr Regan has stressed the economic problems presented by the intractable budget deficit, and has conceded that they are an important factor beside inflation and the Federal Reserve Board's monetary policy, in contributing to the current high level of U.S. interest rates.

Commenting on the interest-rate outlook and the monetary policy of the Fed, Mr Regan yesterday urged the U.S. central bank not to overdo the restrictive monetary policy it has been following.

"My concern is that they do not overdo it," he said, citing reports that Mr Walter Wriston, chairman of Citicorp, the largest U.S. commercial bank, had called for the Fed to ease its monetary policy.

But Mr Regan carefully refrained from endorsing the Citicorp chairman's comments, saying only that "The Fed wants to cool the economy before it overheats and we get inflation back."

Central banks 'will not act to depress $'

BY PETER MONTAGNON IN BASLE

EUROPEAN central banks are prepared to ride out another bout of dollar strength without taking any significant measures to depress the currency in exchange markets.

Speaking after their monthly meeting at the Bank for International Settlements in Basle, senior central bankers said the dollar's rise was "inconvenient" but there was no point in trying to counter it with intervention. In Zurich yesterday, the dollar closed at DM 2.75, its highest level for more than ten years and at SwFr 2.21, its highest this year.

The central bankers warned markets against reading too much into a rare sale of $150m against D-Marks by the Federal Reserve Bank of New York last week. The amount was "peanuts," said one.

Even the West German Bundesbank, which has been a fairly steady seller of dollars in recent weeks has no policy of systematic intervention, they said. The central bankers added that the main reasons for the dollar's strength still lay in the high real level of U.S. interest rates.

Some also argue that large net flows of capital out of Latin America this year are helping to sustain the U.S. currency. The outflows have arisen because none of the region's debt-ridden countries are able to borrow enough to meet all their interest payments.

But the central bankers warned that the dollar's strength is now having a serious impact on the U.S. trade and balance of payments accounts. At some stage, this could lead to a brutal reversal of its trend in the exchange markets, they said.

Separately some central bankers said they were coming round to the view that commercial banks should reduce the interest margins on rescheduled loans to Latin America.

Support for such a move has been slowly building up in the commercial banking community, but the attitude of central banks is by no means unanimous. U.S. accounting practice does not easily allow for such concessions and some central bankers, even in Europe, are still worried about the degree to which a reduction of interest margins to a level close to the cost of funds would be prudent banking practice.

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Central banks agree SDR 3bn loan to IMF, Page 2; Money Markets, Page 43

Amex predicts first decline in 35 years

BY PAUL TAYLOR IN NEW YORK

AMERICAN EXPRESS, the diversified U.S. financial services group, disclosed yesterday that it would suffer its first earnings decline for 35 years in 1983 because of serious difficulties at its Firemen's Fund Insurance company.

Firemen's Fund will post a loss in the fourth quarter and as a result American Express's net income this year will be about 10 per cent lower than in 1982. The group will extensively rearrange the insurance company's management, replacing its chairman.

Last year American Express reported net income of $581m or $6.02 a share on sales of $8.09bn.

The warning of lower profits is the first real blow to the fast expanding financial services group and sent its share price plunging yesterday.

After the announcement, American Express's shares fell $3¾ to $28¾, wiping $750m off the company's market capitalisation.

Mr James Robinson, American Express chairman, said the fourth-quarter loss projected for Firemen's Fund was mainly the result of a decision to increase reserves, primarily in the workers' compensation and liability insurance sectors, by $230m in the final quarter.

He said the decision followed a full review of the insurance unit's operations and "reflects a significant increase in both claims frequency and severity in the last few months and no indication of a reduction in those trends."

Mr Robinson added, "We anticipate that in 1984 Firemen's Fund results will continue to be adversely affected by those same trends."

The first real indication of the scope of the trouble at Firemen's

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EUROPEAN NEWS

Fabius to meet Marchais in new bid to mend coalition rift

BY DAVID HOUSEGO IN PARIS

M LAURENT FABIUS, the French Minister of Industry, is to meet M George Marchais, head of the Communist Party, early next week in an attempt to clear the air after the continuing sharp attacks by the Communists on the Government's industrial policy.

M Marchais has accused M Fabius, who has adopted a much more profit-oriented approach towards industry, of allowing "the closing down of viable companies" and sacrificing "output and jobs." He returned to the attack over the weekend saying that employers were making bigger profits, receiving more aid but investing less. He added that if this meant a return to the policies of the right then workers would feel they had been "let down."

The Communists' attacks come little more than a week after they agreed with the Socialist Party a joint declaration that was intended to put an end to such internal sniping within the coalition Government. In renewing their criticism, the Communists are clearly testing the limits of the agreement.

They are particularly embittered against M Fabius, who has openly championed the right of industry to determine its prices. This is anathema to the Communists. In attacking him so openly, the Communists also hope to put an end to M Fabius's chances of eventually taking over as Prime Minister.

The employers federation is expected at its annual general meeting tomorrow to renew its demands for a freeing of industrial prices to enable companies to rebuild their depressed profit margins.

The Communist pressure also reflects their increasing concern at the growing number of redundancies being announced by industries carrying through restructuring plans.

Also indicative of these fears is the continuing strike organised by the Communist-led CGT union at the Peugeot-Talbot plant at Poissy, near Paris. The strike, which began last Wednesday in protest against 2,900 redundancies, has completely halted production.

French National Front vote rising

BY PAUL BETTS IN PARIS

THE RISING popularity of the extreme right-wing National Front in France was again confirmed in a parliamentary by-election in the Morbihan district of Brittany at the weekend.

M Jean-Marie le Pen, the leader of the National Front, who has been campaigning successfully on racial issues, polled 12 per cent in the first round of the Morbihan election to choose a successor to M Christian Bonnet of the centrist UDF party, who was recently elected a senator.

Although M Le Pen will not win the Morbihan parliamentary seat, his strong showing is further confirmation of the rise of the National Front in France while the popularity of the left declines generally in the country and racial intolerance grows in many large cities.

The National Front's strong performance at Morbihan follows strong electoral showings in the municipal elections in Dreux and Aulnay-sous-Bois this autumn. They are disconcerting both for the left and for the traditional right-wing opposition parties.

The emerging strength of the National Front will be further tested during next year's European Parliament elections after the decision of the extreme right-wing party to field candidates for the European poll next June.

Europarliament to go easy on budget

BY JOHN WYLES IN STRASBOURG

LEADERS of the European Parliament appeared anxious last night to avoid plunging the EEC into still greater difficulties following last week's failure of the Athens summit to settle key reform issues.

As a result, the Parliament's budget committee is backing from urging the full plenary session in Strasbourg to reject the Community's draft 1984 budget when it votes on Thursday.

The committee will not settle its final recommendations until after negotiations with budget Ministers this evening. But it is in a conciliatory mood

Today's meeting with the budget ministers will aim at reaching a compromise beween the draft budget adopted by the Parliament in October and the amendments made to it by the Council of Ministers in November.

Their differences focus on four key points:

- What proportion of the ECU 16.5bn (£9.4bn) allocated to the Common Agricultural Policy should be put in a special reserve requiring Parliamentary approval before it can be spent. The Parliament wants ECU 825m while the Council has accepted ECU 350m. The Parliament wants a higher figure, plus a pledge to achieve farm economies.
- How to treat the ECU 1.2bn to be paid to the UK and West Germany as rebates on their 1983 budget payments. The Parliament put all this money into a special reserve in October, while the Council withdrew it in November.

The budget committee wants to retain some control over at least part of this money.

- Whether to allocate ECU 1.2bn for the development of industrial policies over the next few years. The Council is not prepared to endorse this as a spending plan but will back it as an objective.
- How much can the Parliament add to social, regional and other spending. The Parliament added ECU 546m to the Council's Council's plans in October. The Council cut this back to ECU 377m and the budget committee wants the council to accept the October figure.

Paul Cheeseright adds from Brussels: The EEC's lending scheme to help member-states with balance of payments difficulties may be enlarged next year.

Initial discussion among Economy and Finance Ministers in Brussels yesterday showed there was a general agreement to increase the size of this so-called "oil facility" from ECU 6bn to between ECU 8bn and 11bn, the European Commission said.

Central banks agree SDR 3bn loan to IMF

By Peter Montagnon in Basle

THE BANK for International Settlements, together with the central banks of 19 industrial countries, yesterday agreed to lend the International Monetary Fund SDR 3bn (£1.8bn) to boost its depleted cash resources.

The loan, which is to be matched by a SDR 3bn facility from Saudi Arabia, will ensure that the IMF can continue to provide balance of payments help to debt-ridden developing countries.

It takes the form of a credit line which will be available to the IMF for one year. The IMF must repay the money 1½ years after it has drawn it down.

The largest contribution to the loan is to come from the West German Bundesbank which will put up SDR 415m. The next largest contributions will come from the Bank of Japan, while the Bank of England is understood to be contributing more than SDR 300m. The BIS will make available SDR 300m on its own account.

Other contributors range down to countries as small as Iceland, but the U.S., which has the largest membership quota share in the IMF, is not contributing.

Mr Henry Wallich Federal Reserve Board Governor, said in London last week that the U.S. was prevented from lending to the IMF under the Federal Reserve Act of 1913. European central banks, however, regard the main reason for its absence as political.

This could prove a problem when the IMF returns to the central banks for a further large loan next year. "You cannot expect the Europeans and Japan to finance the IMF indefinitely without the U.S.—it would be unthinkable," one senior central banker said last night.

Discussions on next year's IMF financing are still some way off. Central bankers said in Basle yesterday that even the cash requirement of the IMF, which could again run to several billion SDRs next year, remains undecided.

Nudge to consumer protection log-jam

By Paul Cheeseright in Brussels

EUROPEAN Community Ministers of Consumer Affairs met for the first time ever in Brussels yesterday and gave a modest impetus to a long awaited attempt at breaking up the log jam on consumer protection policy.

They adopted a directive to establish an information exchange system covering the sale of dangerous products. This is the first step towards a European product safety policy.

The idea of exchanging information between the member states has been on the table since 1979. Three other items on the Council agenda have been awaiting decision for even longer. They related to doorstep selling, misleading advertising and product liability.

But as discussion continued into the evening it was becoming clear that no further decisions would be taken. "However, we have made quite good progress" said Mr Alex Fletcher the Parliamentary Under Secretary at the UK Department of Trade and Industry during a break in the talks.

This means that decisions on misleading advertising and doorstep selling could be made at another Council meeting next year, possibly in March or April. Decisions on product liability are less likely even at that time.

The question of misleading advertising reveals British worries about whether there should be a legal system. The UK has a selfregulating system it wants to preserve. But a compromise appeared when the Netherlands suggested that in the face of misleading advertising appropriate legal or administrative action should be taken to stop it. The UK is checking the legal aspects of this formula which would permit it greater freedom of action.

Denmark yesterday dropped a long standing reservation about the doorstep selling directive. Such selling is already banned in the country, but the Danes are prepared to accept a Community regulation provided they can keep their ban in place.

Germany, however, has realised fresh objections to the directive which holds that doorstep sales need a written contract and a seven-day cooling off period during which the customer can withdraw from the transaction.

Italy set to approve budget before year-end

By Alan Friedman in Rome

THE ITALIAN Parliament appears set to approve the 1984 budget before year-end, the first time this would happen in recent years.

Often the budget, presented in the early autumn, has not been finalised until the end of the following April, the last day allowed under Italian law.

But the budget committee of the Chamber of Deputies approved the L340,000bn (£138bn) 1984 budget over the weekend and the Parliament is now expected to see full Chamber approval this week.

The Senate gave its approval two weeks ago, with amend- which raise the 1984 forecast public sector deficit to L94,000bn, a level which the Government of Prime Minister Betino Craxi wishes to reduce in the New Year.

Once the Chamber of Deputies passes the budget, a conference committee between the Chamber and Senate will get to work on the full package next week, clearing the way, it is hoped, for approval before the end of the year.

The Parliament decided several weeks ago to make a special effort to condense the lengthy and tortuous budget debate, which in the past has always dragged on for around six months.

The Italian Treasury still wishes to introduce a mini-package of spending cuts and revenue-raising measures in the New Year with the aim of trimming an additional L10,000bn from the Government deficit.

Many economists are sceptical however, that the Government will be able to contain the deficit, this year running at nearly 17 per cent of Gross Domestic Product.

Schluter faces Finance Bill defeat on Thursday

BY HILARY BARNES IN COPENHAGEN

PRIME MINISTER Poul Schlüter of Denmark is expected to call a Folketing (Parliament) election for either January 5 or 10 on Thursday, when his four-party minority Government seems almost certain to be defeated on the 1984 Finance Bill.

The 15-month-old non-Socialist coalition will be brought down by an alliance of the anti-tax Progress Party on the right and the Social Democrats on the left.

Both parties have made increasingly firm commitments over the past few days to vote against the Government, although a last-minute volte face by one or the other cannot be completely excluded.

An election now would be a triumph for Mr Schlüter's conservatives, who stand almost to double their number of seats from 26 to 48, according to a weekend opinion poll.

Their gains will be partly at the expense of their coalition partners, the Liberals, Centre Democrats and Christians, but the coalition as a whole will be strengthened, although still remaining a minority.

It will continue to need the support of both the Progress Party and the social-liberal Radical Party before it can obtain majorities.

The main tax legislation for 1984 is already in place, but until the Finance Act is passed, the Government cannot make any disbursements after January 1. But the situation will be saved by a temporary enabling Bill.

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EUROPEAN NEWS

Evren dashes Ozal's hopes of announcing Cabinet

BY DAVID BARCHARD IN ANKARA

MR TURGUT Ozal'a hopes of announcing his Cabinet yesterday were unexpectedly dashed when President Kenan Evren exercised his right under the new constitution to scrutinise the names of the future Ministers further.

Mr Ozal, whose Motherland Party won a clear majority in the general elections five weeks ago, went up to the Presidential Palace expecting to come away ss Prime Minister.

Instead, he emerged gloomy from the palace and simply said that the President would be scrutinising his Cabinet list.

This caused considerable surprise bere. Mr Ozal and the President bave bsd more than a month to agree on an acceptable list of names. Tbe Presidential veto on Ministers has only been used once in Turkey in the last 20 years and that was during a period of military rule.

There was no indication of exactly which Ministers the Prestdent, who it may be assumed is acting as a channel to communicate the wishes of the army, was hesitating over.

The President has already approved a plan to cut down the number of Cabinet Ministers from 27 to around 20. But it is thought that Mr Ozal may have to set up a Cabinet under the existing system to enact the law to make it possible for him to gn ahead with tha changes at a later date.

There were fears here that Mr Ozal may already be finding it difficult to get bis way as Prime Minister over basic matters. There has been speculation about the military's attitude towards him since the eve of the November 6 elections when President Evren went on television to warn voters not to support Mr Ozal.

Subsequently, Mr Ozal's most implacable critic in the armed forces bas been promoted to the rank of Chief of Staff.

The detay in sppointing Mr Ozat as Prime Minister Is profoundly embarrassing to Turkish diplomats who are trying to establish thc credentials of tbe new Government as a fully democratic parliamentary administration.

Mr Ozal said yeslerday that he believed that President Evren would ratify his list.

Move to defend bank directors

BY OUR ANKARA CORRESPONDENT

TURKEY'S Finance Ministry yesterday moved to defend the reputation of three leading private-sector bank managing directors wbo are facing prosecution on charges of gold smuggling and foreign currency irregularities.

A top official in the Turkish Treasury described the charges against the three men—Mr Erol Aksoy of the Interbank, Mr Halit Soydan of the Garanti Bankasi and formerly head of the Yapi Kredi Bankasi, and Mr Husnu Ozyegin of the Pamukbank—as "unnecessary."

"The Finance Ministry has had a team of investigators look into the charges against the three managing directors and we have no complaint to make about any of them," the official added.

An official of the three banks said that the banks and their directors had been named by a group of smugglers arrested in the Mediterranean port of Mersin earlier this year.

Relatives of the smugglers had subsequently approached one of the banks, warning them that the accusations would be made in order to get the smugglers released.

"The case is now going to be transferred to a civilian court in Mersin," be said, "and we expect that once the Ministry of Finance's report is presented to the court, the charges will he dropped in a single session."

The banks bad been presented on December 5 with a copy of the Finance Ministry report clearing them, be added.

Hungary seeks Western students

BY LESLIE COLITT IN BERLIN

IN AN imaginative bid to earn badly-needed hard currency, Hungary is offering to provide young western Europeans with a bigher edncation for $300 (£200) a month.

More than 100 medical students from West Germany, Switzerland and Austria have been permitted to begin studies taught in German at Budapest's Medical University.

Most of the students are from West Germany which strictly limits the number of students admitted to medical and dental studies.

The Ministry of Culture has called on virtually all Hungarian universities and colleges to consider offering courses for Western students and has already set the fees.

A monthly charge will be $200 at scientific universities and colleges, $250 at technical and agricultural universities as well as the natural science departments of universities, and $300 for medical and veterinary universities, fine arts colleges and the college for physical education.

The fees do not cover living expenses in Hungary. Western students enrolled at Hungarian universities will not have to take otherwise obligatory "ideological" courses — Marxism-Leninism and dialectical materialism—but instead, will attend lectures on Hungarian history.

Medical students from Western Europe are to be taught in German for the first two years while taking an intensive course in Hungarian. In the third year, clinical subjects will gradually be in Hungarian in order that students can establish the necessary contact with the patients.

Prof Attila Fonyo, who is in charge of the new German language medical courses at Semmelweis Medical University, says the $300 monthly fee is relatively low for a university with its "international professional prestige." Medical training lasts six years and dentistry five years.

One problem to be overcome is that Hungary bas no official agreements with either West Germany, Switzerland or Austria on the acceptance of university diplomas.

Until now, Soviet and East European universities have mainly accepted foreign studens from certain developing countries who have not had to pay for their studies.

Reuter reports from East Berlin: Italy's Communist Party leader, Sig Enrico Berlinguer, arrived in East Berlin yesterday, to meet Herr Erich Honecker, East German head of state, the official news agency ADN said.

He is also expected to see other state and party officials during two days in East Germany. Disarmament issues were expected to top the agenda but it could also include communist ideology—an area in whicb the Italian party has in the past come under attack from East Germany.

Inflation threat to Yugoslav budget

By Aleksandar Lebl in Belgrade and David Buchan in London

THE Yugoslav Government has unveiled its 1984 budget which shows federat spending rising 43 per cent in nominal terms above this year's level.

But with inflation currently running at an annual pace of close to 60 per cent, the 5.3 per cent real spending increase which the Government is hoping for may well be impossible to achieve.

The Government is assuming an inflation rate next year of only 35 per cent, with a 2-3 per cent real increase in Gross National Product.

The Government of Prime Minister Milka Planinc is committed to trying to keep the hudget in balance. But since the federal authorities' only revenue sources are customs duties and levies—and these rates are unlikely to go up—any deficit will have to he covered by the republics and provinces.

The International Monetary Fund, which is being asked by Belgrade to extend its current programme for Yugoslavia, has also pressed for spending cuts.

The bndget was presented by the Deputy Finance Minister, fuelling speculation that Mr Joze Florijancic, the Finance Minister, will shortly resign.

It bas been known for some time that he has had budgetary differences with bis government colleagues, with Mr Florijancic apparently proposing a "sliding budget" for 1984 without fixed amounts and to be adjusted periodically throughout the year to take account of inflation.

However, Mr Florijancic's departure would not change Yngoslavia's negotiating stance with its foreign creditors, which are being asked to refinance by a variety of means Yugoslavia's $3bn (£2bn) medium and long term debt maturities next year.

Eastern planners are shying away from Western technology, reports **David Buchan**

Comecon learns Polish lesson

AFTER NINE years of delay the town of Wloclawek in central Poland Is likely to be able to celebrate tbe completion of its £200m PVC plastic plsnt next year. The plant, built by the UK company Petrocarbon, has a 200,000 tonne annual cspacity and is supposed to save Poland a subslantial amount of foreign currency now spent on imports. But for the lack of a few million pounds, building has dragged on, the plant runs at less than half capacity and raw materials are still being Imported.

The Wloclawek plant is one of many unfinished Westero turnkey projects in Poland, classic examples of how Poland bit off more than it coutd chew.

The lessons of this dash to acquire Western technology, followed by a dramatic economic collapse are being studied elsewhere in the East, and other Comecon countries with hard currency available to buy Westero technology are not continuing the policy they followed in the 1970s. The Polish spectre still haunts Eastern planners.

Tbis story has been detailed for the first time by the Organisation for Economic Co-operation and Development* in a way that reinforces the urgency of the current economic reform in Poland and bighlights the problems for centrally planned Comecon economies in absorbing Westero technology.

The Polish approacb seemed a good idea at the time. In a climate smoothed by detente, the Government of Mr Edward Gierek decided to try to modernise Polish industry in one great leap forward, with Westero technology bought on easy Western credit. Increased exports to the West would pay it all off and earn Poland a tidy profit.

But the "new development strategy" went savagely wrong: the Western markets never materialised, interest rates soared, Polish industry could not absorb the Western equipment and know-how and trade deficits mounted.

Eventually the brakes were applied in the form of swingeing import cuts, but too late to stop the Polish economy from bitting the wall.

Four key problems and lessons for Comecon countries emerge from the OECD study on the Polish disaster:

● Central planners, by virtue of their control, have an awesome power to tbrow their economies out of gear. The single worst fault of the Gierek Government according to Mr Zbigoiew Fallenbuchl, the OECD author, was to increase imports from the West at ao average 26 per cent s year in 1971-75, far beyond the domestic economy's capacity to absorb them.

Polish construction could not keep pace, so that by 1980 investment projects worth $16bn were unfinished. Licences bought from the West, took an average of five years to be used, compared with two years in the West and there was a further lag before full output was reached.

● The central planning system turned out to be singularly ill-adapted to provide a quick boost to exports to the West. A decentralised promotion effort, with advertising, distibution and servicing built up over time and with direct contacts between Polish exporters and foreign users would have been much better.

The Gierek strategy ignored traditional export sectors, like coal and foodstuffs, which were quite competitive in the 1970s, and poured Western technology into sectors like chemicals and engineering.

● The import of Western know-how failed, as it generally has in Comecon, to spark indigenous innovation in Poland. Innovation was, and still is, regarded as a series of one-off steps, usually associated with the acquisition of a new Western machine. One result was that the sale of Polish licences abroad failed to rise significantly during the 1970s, despite massive imports of Western licences.

● Most alarming, from the Polish and Comecon viewpoint, is the way in which the purchase of Western investment goods and licences created a long term demand for Western materials, components and spare parts. Of the $8.3bn which Poland borrowed medium and long-term in between 1971 and 1975, 53 per cent was spent on investment goods, and 33 per cent on raw materials and components.

This was dramatically reversed in the following four years when of the $30.3bn borrowed, only 27 per cent went on new investment and a full 60 per cent on servicing existing plant with more Westero materials. The individual Western licences the Poles bought were not so expensive; the highest average value in one year (1976) was $2.9m.

But they sucked in far greater volumes of Western imports, often indirectly.

In view of all this, it is not surprising that many in Comecon drew the conclusion from the Polish saga that trade with the West was risky and trade within the Soviet bloc far safer. This was evident in the calls for greater Comecon integration at last month's East Berlin meeting of Comecon Prime Ministers. Yet Comecon self-sufficiency is not the answer to the problems of industrial moderoisation. The Polish mistakes can be avoided. Even in Poland, in the least propitious economic circumstances, a start has been made with reforms. The fact that 200 of Poland's bigger companies are now allowed to trade directly abroad strikes a note of hope for the future.

* East-West Technology Transfer: Study of Poland 1971-80, OECD, Paris 1983.

POLISH LICENCES

(Zlm)

	Imports	Exports
1971	200	2.3
1972	174.5	1.2
1973	193.4	5.4
1974	400	0.8
1975	491.1	13
1976	532.7	14.7
1977	57.3	15
1978	100.7	10.2

Source: OECD

CZECHOSLOVAKIA plans to raise industrial prodnction 2.9 per cent next year compared with planned industrial growth of 2.4 per cent this year, Leslie Colitt reports from Berlin.

The 2.9 per cent increase would not be real industrial growth as inflation is estimated at between 4 and 5 per cent.

Mr Svatopluk Potac, chairman of the State Planning Commission, did not reveal the key figure for planned economic growth—in national income—next year, but said personal consumption is to grow 1.5 per cent in 1984 while incomes are to increase 1.6 per cent.

Wages are only to grow in line with productivity increases. Retail trade turnover is planned to rise by 1.9 per cent.

The modest growth in Czechoslovak personal consumption next year, a decline in real terms, is in line with a similar trend in other East European countries.

OVERSEAS NEWS

Australian dollar appreciates 1.2% in quiet trading

BY COLIN CHAPMAN IN SYDNEY

THE Australian dollar appreciated 1.2 per cent against the U.S. dollar yesterday to close in Sydney at U.S.$0.9135 in its first day as a floating currency. The trading atmosphere was orderly and calm. The last closing price before trading was suspended Friday was U.S.$0.9025.

Mr Paul Keating, the Treasurer and leading bankers expressed pleasure at the way the markets had absorbed the decision to float the dollar and to abandon a wide range of exchange controls. Almost the only sour note came from the Metal Trades Industry Association and the union in metal manufacturing which both said that the decision would cost Australians jobs.

But, in the case of the latter, the association's comments were based on speculation in a major Sunday paper that a 3 per cent revaluation was probable.

Mr Bob White, chief general manager of the Westpac Banking Corporation, praised the Government for its decision and urged it to move on to other financial de-regulation, including the admission of foreign banks to Australia. At present only two, the Banque Nationale de Paris and the Bank of New Zealand have a full licence.

Approval is also certain for a proposal from the National Companies and Securities Commission that more foreign shares should be allowed to be listed on Australian stock exchanges. At present only 23 companies are listed and all but two of them are relatively small.

The only major point of contention yesterday was the rivalry between Melbourne and Sydney to become the financial capital of the South Pacific region.

Mr Neville Wran, the New South Wales Premier, has been making the running with a submission to the Federal Cabinet two weeks ago suggesting changes to the taxation and regulatory environment to enable Sydney to become an offshore banking centre.

But on the eve of a visit to China, Mr John Cain, the Victoria Premier, is fighting back. He has put together a working party of public servants, banks and financial institutions which will meet today to map out a strategy to make Melbourne the main international finance centre.

U.S. worried by Canberra ban on British warship

CANBERRA—The U.S. is concerned by Australia's decision to deny docking facilities to a British warship because it might be carrying nuclear weapons, senior Australian government officials said yesterday.

A strong message sought an explanation of what the action meant for U.S. vessels and the Anzus military alliance which links Washington with Canberra and Wellington, they said.

The message from Mr Paul Wolfowitz, the Assistant Secretary of State for Asian and Pacific Affairs, was delivered to the Australian foreign ministry at the weekend.

The officials said the future of visits by nuclear powered and armed warships to Australia was at the centre of the row.

Last week the Australian Government, which bans nuclear weapons on its soil, barred the British aircraft carrier Invincible from dry dock repairs after Mr Gordon Scholes, the Defence Minister, sought assurances that it was not carrying nuclear weapons.

The Canberra Government said later the Royal Navy decided not to seek dry-dock facilities after discussions between the Government and the British High Commission in Canberra.

The Invincible had cut short a visit to New Zealand to sail to Australia for repairs to its propeller shaft. The repairs are now likely to be carried out in Singapore.

A factor in the Royal Navy's decision was the possibility of embarrassing protests by dockyard unions

Ershad releases four from detention

DHAKA — President Hossain Mohammad Ershad, Bangladesh's military ruler, has freed four politicians from detention but said yesterday he would not lift martial law until after elections are held.

Major-General Abdul Mannan Siddiqui, the Home Minister, said that the four opposition figures—all women—had been released from detention

They were freed as Lieutenant-General Ershad assumed the presidency of Bangladesh and in a nationwide televised address appealed to his opponents to join him in talks to try to speed up a return to democracy.

Two of the women, Begum Khaleda Zia, widow of assassinated President Ziaur Rahman, and Sheikh Hasina Wazed, daughter of another slain president, Sheikh Mujibur Rahman, are symbols of two major opposition groups

The other women, Motia Choudhry and Ivy Rahman, are leaders of the Awami League, considered by political observers to be one of the biggest of the country's 72 parties.

President Ershad said he did not intend to lift martial law until elections were held and no decision had been taken to change the dates of polls scheduled for next year.
Reuter

China's foreign debt at $3bn

Peking. — China's foreign debt totalled $3bn (£2.1bn) at the end of September, the official magazine Zhonggun Jinrong (China Finance) said. It was the first time China has published foreign debt figures.

The magazine said China's foreign debt was $3.43bn at the end of July and $2.96bn at end-August.

Western bankers said the official figures are $1bn-$2bn lower than foreign estimates, perhaps because they do not include short-term debt on the international money market.

The magazine said China's foreign exchange reserves totalled $14.07bn and its gold reserves 12.67 oz at the end of September.
Reuter

Chris Sherwell, recently in Kuala Lumpur, reports on Malaysia's constitutional crisis

Royal row threatens Mahathir's credibility

UNTIL RECENTLY, Malaysia's nine Sultans were a well-protected political species. Public support, helped by threats of sedition actions against anyone questioning their position, tended to draw a veil over their extravagant private pursuits, profitable business sidelines or controversial interventions in politics.

But over the past four months things have changed. Dr Mahathir Mohammad, the first Malaysian Prime Minister not to have well-maintained royal connections, has rushed a raft of constitutional amendments through Parliament which render virtually irrelevant the royal power of assent to legislation and transfer to him alone the power to declare a state of emergency.

The sultans rejected Dr Mahathir's claim that the move was simply to "streamline" Malaysia's democracy and would not alter the balance of power. They quietly persuaded the King, Ahmad Shah, who is drawn from their number, not to sign the Bill into law, precipitating a constitutional crisis which could undermine Malaysia's political foundations. Optimism has grown in the last few days about the chances of a settlement and not a moment too soon. The deadlock has plunged the stock market into a fit of depression and thrown constitutional lawyers into confusion.

Because the Sultans are a focus of Malay and Islamic identity in a multi-racial and multi-ethnic society, the affair has opened deep divisions within both the Malay community and the political leadership.

The United Malays National Organisation, the Malay political party which dominates the ruling coalition of racially-based parties, has been exposed to attacks from other groups and racial and religious sensitivities have been stirred.

The affair has also generated speculation about Dr Mahathir's own position. He firmly believes he has right on his side, and has launched a campaign of public rallies to gather support.

A compromise is now being discussed which would water down his proposal that legislation be automatically enacted if it has not received royal assent within 15 days. The King would be able to make his objections known, and only be obliged to sign if Parliament stands by its previous decisions. The compromise would also put the power to declare an emergency in the hands of the King and the Prime Minister jointly.

The sultans have been able to extract these considerable

Dr Mahathir

concessions by withholding assent on numerous other pieces of legislation, although this was partly the result of the King's own indisposition due to a heart attack. The King has since signed all the pending items into law save for the controversial amendment Bill to avoid criticism that the Sultans wish to hold up the normal process of Government.

The ball is now back in Dr Mahathir's court. If an early compromise proves impossible, he could try to divide the Sultans by suggesting that most of them are prepared to accept a compromise, and by threatening to gazette the amendments without securing royal assent and test the matter in the courts. But it is also theoretically possible for the King to declare a state of emergency, sack Dr Mahathir and instal an interim Prime Minister.

Quite why Dr Mahathir has got himself into this situation is a puzzle. Few believe he wishes to set Malaysia on a Republican course, or that he needs more powers, although the amendments have both effects—a potential worry for the future.

The more popular explanation is that he has grown increasingly irritated by the behaviour of some of the Sultans and wants to head off any problems next year when they elect a new King for a five-year term.

The two leading candidates are the Sultans of Perak and Johore, because they have never held the post before. They are described as "colourful" and "independent-minded." Sultan Mahmood Iskander of Johore was once given a jail sentence for culpable homicide and relieved of his title by his father, only to be pardoned and reinstated as heir apparent. Unlike his counterparts, the Johore Sultan is allowed to maintain his own private army.

Sultan Idris of Perak would like to retain an active role as state Sultan if he becomes King, which would be unusual. Both he and the Sultan of Johore have done battle with their state Chief Ministers and won. The present King had done the same in his state of Pahang, but has not repeated the experience at federal level. Dr Mahathir does not wish to leave the matter to chance in the future.

Although he could present an acceptable compromise as a victory, the episode nevertheless reflects poorly on Dr Mahathir's political judgment.

In the view of many, he has handling of the scandal over bad abysmally. A similar assessment is also being made of his handling of th scandal over bad loans to Chinese property developers in Hong Kong by a subsidiary of Bank Bumipultra.

Austerity in the economy, worries about his commitments to build heavy industries and doubts over his idea of following the Japanese and South Korean examples of economic development have not helped. His credibility, and his reputation as the architect of modern Malaysia, are now at stake.

Malaysi a turns to barter, Page 5

Kuwait feels vulnerable to attack

BY OUR FOREIGN STAFF

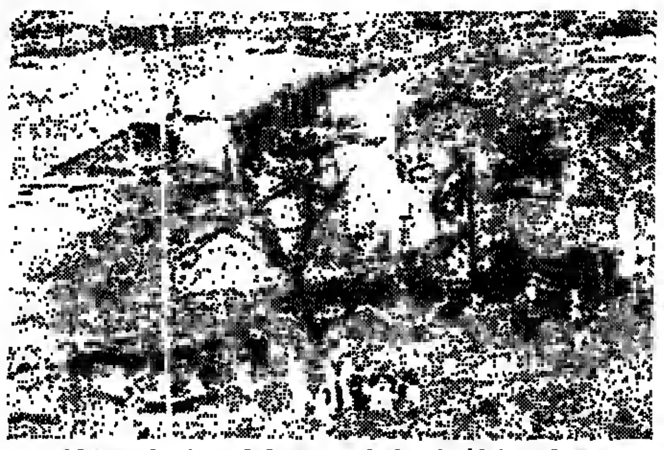
KUWAIT is probably the most vulnerable of all the Gulf Arab oil producing states to security threats, and the country most aware of the risks posed by the Iraq-Iran war.

An important part of Kuwait's population are Shia Moslems who retain some emotional attachment to the preachings of the regime in Tehran even though they may abhor the idea of Ayatollah Khomeini becoming their ruler.

Among the poorer sections of the Shia community, however, it may not have proved too difficult to recruit the men responsible for yesterday's bomb attacks.

Kuwait has provided major financial backing for Iraq and also serves as an important supply route. Three times in the first year of the war Iranian aircraft bombed border posts and a Kuwaiti oil installation. More recently Iranian leaders have warned that ships approaching Kuwait may be liable to be stopped and searched.

Kuwait's rulers have responded to these threats by seeking to broaden their international contacts and avoid becoming associated as closely with the U.S. as other Gulf states.



Aftermath of truck bomb explosion in U.S. embassy grounds, Kuwait

Arafat's forces request air cover for withdrawal

BY PATRICK COCKBURN IN TRIPOLI

SYRIA and Saudi Arabia have been asked by Palestine Liberation Organisation forces loyal to Mr Yassir Arafat to provide air cover to guard against a possible Israeli surprise attack.

Under the terms of the ceasefire, Mr Arafat's men are to be evacuated from Tripoli by Greek ships when these have received guarantees for their safety.

The Greek Government has asked the four countries providing contingents to the multinational peace keeping force, the most important of which is the U.S., to guarantee their vessels against attack. The Greek ships will be sailing under United Nations flags.

Tripoli harbour has been cleared of unexploded shells and some of the damage caused by the last month's fighting repaired. Two ships were sunk and two burned out when hit by Syrian artillery in November.

Mr Arafat is showing little inclination to speed up his departure for Tunis. His demand for Syrian air support is somewhat ironical since he has continually accused the PLO rebels attacking him of being Syrian puppets.

Roger Matthews adds: President Amin Gemayel of Lebanon is scheduled to arrive in London tonight for talks with Mrs Margaret Thatcher, the Prime Minister, and other senior officials.

During Wednesday's talks Mr Gemayel and Mrs Thatcher are expected to concentrate on the role of the multinational peacekeeping force in Beirut, to which Britain contributes 100 men, and the chances of securing a withdrawal of all foreign forces from Lebanon.

China is considering a second Guangdong nuclear power plant

BY ROBERT COTTRELL IN HONG KONG

CHINA is considering a second nuclear power station at Daya Bay in Guangdong province. Near Hong Kong, Daya Bay is the site already chosen for a HK$36bn (£3.2bn) 1,8000 MW power station which will be built as a joint venture between Hong Kong and Chinese interests.

Mr Shen Jiansheng, director of a committee set up by Guangdong province to make preparations for the Daya Bay joint-venture station, said the proposed second station could be needed to meet China's domestic power needs. He said that the joint-venture station should be completed by 1989. Work on the second station might begin before that date, though plans were currently at a "preliminary" stage.

Hong Kong analysts had previously thought China wanted the first Daya Bay station finished by 1991. Some 70 per cent of its power is planned to be sold to Hong Kong, generating foreign exchange to service the project's debt.

Mr Shen's remarks were made at Daya Bay while receiving a visiting group from Hong Kong led by Mr Piers Jacobs, Secretary for Economic Services. Hong Kong officials were apparently surprised by news of the second station, and received no indication that Hong Kong might be expected to participate in that project.

While visiting Daya Bay, Mr Jacobs presented Guangdong officials with copies of documents relating to the formation last week of the Hong Kong Nuclear Investment Company (HKNIC), the company which will take a 25 per cent equity share in the Daya Bay joint-venture power station. China's state-owned Guangdong Power Company will own the other 75 per cent.

HKNIC's main shareholder is likely to be China Light and Power Company, the larger of Hong Kong's two electricity utilities. The Government hope Hongkong Electric Holdings, the smaller utility, will also take a stake. It is also thought possible that some banks may wish to join the HKNIC consortium, and that the Hong Kong Government may itself make a loan to the company.

Analysts believe the Government is currently considering how to make HKNIC commercially attractive to investors, particularly in the six to eight years before the power station is commissioned and starts generating revenue. One possibility thought to be under consideration is the creation of an interest-bearing loan stock convertible at a later date into ordinary HKNIC equity.

Hong Kong container port to be expanded by 50%

BY OUR HONG KONG CORRESPONDENT

A HK$655m (£58.4m) land reclamation scheme announced yesterday will increase by some 50 per cent the handling capacity of Hong Kong's main container port at Kwai Chung. The scheme should help Hong Kong overtake New York as the world's second-largest container port after Rotterdam.

The project represents a "first phase" of planned expansion at Kwai Chung, and will be completed in 1985-86. If Hong Kong's container traffic continues to grow at current rates, a second phase of reclamation will begin in 1986, expanding Kwai Chung's capacity by a further 45 per cent.

Kwai Chung, which handles almost 90 per cent of Hong Kong's container traffic, is currently "close to saturation," Mr Piers Jacobs, Hong Kong's Secretary for Economic Services, said. Operators say the terminal sometimes handles in excess of its theoretical annual capacity of 1.4m 20-foot equivalent units (TEU's). TEU's are the standard measure of container volume. The first phase reclamation will increase Kwai Chung's capacity to 2.2m TEU's.

The reclamation work will be the responsibility of two of Kwai Chung's three container terminal operators — Hongkong International Terminals, (HIT) and Sea-Land Orient. HIT is a subsidiary of the Hong Kong conglomerate Hutchison Whampoa. Sea-Land Orient is a unit of the U.S. group Sea-Land Industries Investments. The third Kwai Chung operator, Modern Terminals, is not involved in the first-phase reclamation.

Britain frees imports of range of Indian knitwear

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

BRITAIN HAS lifted import restrictions on a wide range of knitted goods from India. The clothes, which can now enter the UK freely, include jerseys, pullovers, waistcoats, twinsets, cardigans, bed-jackets and jumpers.

These items fall within category five of the Multi-Fibre Arrangement, the world agreement which governs much of textile trade, and although this is a highly sensitive category, trade in these clothes between the two countries has been stable.

Last year Britain imported 434,302 pieces from India and in the first 10 months of this year 428,803 entered. As a result of the lifting of the quota these clothes can now be imported under an open general licence.

Although imports from India are no longer restricted, quotas remain in force for imports of knitwear from a wide range of countries.

These include Taiwan, Macao, South Korea and Hong Kong among the dominant suppliers, Bulgaria, Czechoslovakia and Hungary in Eastern Europe and Malaysia, Thailand, Singapore and the Philippines in the Far East.

Mannesman Nigeria

Contrary to a report on the World Trade page on December 2 Mannesman and the International Management Engineering Group have not yet been awarded the contract by the Nigerian National Petroleum Corporation for construction of a 130 km pipeline, gas treatment plant and other facilities. However, their bid of $284m for the project relating to the exploitation of gas in the south west delta and the Igbin power station near Lagos was the lowest submitted.

UK 'could act to liberalise trade'

By Max Wilkinson

BRITAIN could play an important role in liberalising international trade policies says the new economics director for the Paris-based Organisation for Economic Co-operation and Development in an article published today.

Prof David Henderson of University College London, who takes up his appointment in Paris in the new year, says Britain could act on two fronts to help break down protectionist barriers.

In the current edition of the Midland Bank Review, he says Britain could help to influence the trade policies of the EEC and at the same time liberalise its own policies where possible.

The EEC's Common Agricultural Policy, numerous quotas on manufactured imports, the Multi-fibre arrangement and voluntary restraints on imports from countries such as Japan could be the first objectives for attack, he said.

At the same time the British Government could open up its public procurement to international competition and take no part in ad hoc measures to keep out European imports from Britain.

Prof Henderson concedes that actions to liberalise trade are easier described than done. However, he says that, whatever the national advantages of particular restrictions, there is almost complete unanimity that the international consequences of restricting trade are unfavourable.

He says it might be logical for the British Government to take a lead in liberalising trade, because it was elected as a firm believer in the efficacy of market forces.

In practice, however, governments such as those in the UK and the U.S. which had professed "text-book market-orientated economic doctrines" often interfered with free trade.

Although the reasons for these actions are rarely acceptable to economists, he says, the practical common-sense approach may in some cases be closer to reality than the ideas of the professionals. But he adds: "The fact remains that today's interventionist policies, including those embraced in Whitehall and Westminster, are strongly influenced by what I have termed elsewhere as 'do-it-yourself economics'."

Jordan seeks to pay in phosphate

By Rami Khouri in Amman

JORDAN HAS introduced a system by which foreign companies bidding for contracts in Jordan would take between 35 and 50 per cent of the value of the contract in the form of raw phosphate rock.

Mr Wasif Azar, director general of Jordan Phosphate Mines, in confirming this procedure yesterday, also said that preference in awarding government contracts would go to countries that already import substantial quantities of Jordanian phosphate.

He said Japan and South Korea had already responded favourably to the move, which was designed to reduce the large trade imbalance with such industrial powers as Britain, Italy, West Germany, Japan and France.

Jordan has suffered from flat phosphate sales during the past two years, coupled with a world phosphate rock price that has dropped some $20 per ton since its high in the mid-1970s.

Chris Sherwell examines a change in government policies on trade

Malaysia learns to wield the barter weapon

MALAYSIA is making progress in its search for new trading partners and new ways to trade. It is a slow process, but as Malaysia is one of the world's largest exporters of five key commodities (tin, rubber, palm oil, timber and pepper) as well as an oil and gas exporter, the change is catching people's attention.

The most noteworthy development is in the field of barter trade. Since June, when the Ministry of Finance ordered Government departments to try to include an element of counter-trade in their purchases, Malaysia has concluded two deals:

● Under an agreement finalised last month with South Korea, Malaysia will acquire two naval patrol boats worth M$50m (£13.8m) each for delivery in 1985. One will be built in South Korea by the Korea Shipbuilding and Engineering Corporation and paid for with crude oil, refined palm oil, textiles, timber and electrical products. The other will be constructed in Malaysia in a joint venture with Malaysian Shipyard Engineering of Johore, and paid for on normal commercial terms.

● In a deal with Yugoslavia's Energoinvest, the state-owned National Electricity Board will purchase about M$1.6m-worth of switchgear for four sub-stations, and Energoinvest will build transmission lines worth M$2m. Yugoslavia will buy tin and rubber worth 80 per cent of the contract, and the remainder will be paid in cash for freight, port and insurance charges.

Other barter deals are also being negotiated. The state-owned railway authority has told foreign companies tendering for a M$30m contract for rails that the successful bidder would have to buy an equivalent value of Malaysian commodities. The Highway Authority has similarly sought counter-trade arrangements in tenders from foreign companies.

Officials are reluctant to go into detail about what precisely they want from counter-trade arrangements. At a general policy level, the Government wishes to promote its own exports and its indigenous industry and would obviously prefer to sell industrial products rather than the traditional commodities which it has little trouble selling on conventional markets.

In the case of the patrol boat contracts, South Korea was trying to break into a new market and is believed to have offered counter-trade arrangements. Malaysia for its part found it necessary to exclude or limit certain traditional items such as crude oil.

Malaysia's Commerce and Industry Department has set up a special unit on counter-trade to serve as an information clearing house and to provide advice and guidelines on the conduct of such business. The ministry is particularly keen to encourage the private sector, and is compiling lists of suitable products and countries in order to encourage the process.

The real targets remain the countries of the Eastern bloc. Apart from Yugoslavia, Romania has attracted interest and, controversially, North Korea, which wants commodities such as rubber and would like to sell hot rolled steel sheets and urea. The latter product would pose a problem, however, as Malaysia is committed to buy urea from its Asean partner and neighbour, Indonesia.

> The Government prefers to barter industrial products rather than traditional commodities which it has little trouble selling on conventional markets.

In the search for new trading partners, the biggest success so far is Brazil, while the greatest hope is China and the most novel approach has been to the South Pacific islands.

In October a high-powered delegation of Malaysian Government officials and private sector representatives concluded two notable deals in Brazil aimed at increasing bilateral trade.

Under one agreement, Malaysia is to buy 1.5m tonnes of iron ore over five years from the Brazilian state-owned mining company Vale do Rio Doce. This will be used in an iron ore project in Malaysia fuelled by locally-produced natural gas. Under the second agreement, between the two state oil companies Petronas and Petrobras, Malaysia will supply 3.65m barrels of crude oil over a period of five years in a deal worth more than US$100m.

The real significance of the Brazil deal, however, is less in its appearance as a "south-south" arrangement between two important commodity producers than in what it portends for Malaysia's trading patterns. Officials make it plain that they would like to reduce their deficit with Australia, in particular, and diversify their sources of supply of goods such as sugar and meat, which Brazil can supply.

The visit of a Malaysian delegation to China last month was less successful, although it is understood that China did indicate it would try to facilitate direct trade with Malaysia. Peking has typically dealt with through Hong Kong and Singapore, and has little desire to upset its "traditional" relationships with such agents by trading more directly with countries like Malaysia.

As for the effort to cultivate the South Pacific islands as a trading and investment area, this follows the visits there last year by Dr Mahathir Mohamad, the Prime Minister. It, too, is part of an effort to develop a "south-south" co-operation and to move into non-traditional markets and expand trade.

One possible outcome may be private investment by Malaysian plantation interests — developing crops in places such as Papua New Guinea, the Solomon Islands and Fiji, which are the states most often mentioned. It could also mark a step forward for Dr Mahathir's own hopes of seeing the successful establishment in Malaysia of Japanese-style *sogoshoshas*, or trading houses, since one of those formed so far, the Malaysian Overseas Investment Corporation, is busily investigating possible South Pacific investments.

None of these particular developments look important when set against Malaysia's total trade with the rest of the world, which is expected to amount to some M$63bn this year, about 10 per cent higher than in 1982. But they all appear to mark significant additions to the pattern of that trade, and in the future could represent important changes.

Peking asks Japan to buy more oil

TOKYO—China has asked Japanese buyers to purchase 8.6m tonnes of Chinese crude oil in 1984, up 7.5 per cent from 1983's 8m tonnes, an official of International Oil Trading, one of two Japanese avenues for purchases of Chinese Oil, said yesterday.

In addition, China has asked that Japanese purchases come to about 2.2m tonnes in the January-March first quarter, the official said. That would be up 10 per cent from the year-earlier period, and would represent a "front-loading" of crude purchases in the early portion of the year.

The International Oil Trading official pointed out that China was merely asking for the top end of the yearly import volume already agreed to between Japan and China.

Japan's International Oil Trading and the Importers' Conference of Chinese Petroleum in Japan have an agreement to take between 8m tonnes and 8.6m tonnes a year during the three years from 1983 through 1985, from China National Chemicals Import and Export Corporation.

AP-DJ

China in interferon deal

BIOGEN NV of the Netherlands Antilles, has signed a letter of intent with Shaanxi Pharmaceutical Bureau of China outlining plans for a joint venture to produce and market gamma interferon in China, Reuter reports from Cambridge, Massachusetts. Biogen's U.S. subsidiary, Biogen Inc, said it believes this to be the first agreement of its kind between China and a company involved in recombinant technology. The accord has the potential of opening significant markets for its products.

Biogen plans to supply interferon for clinical trials in China, and at the completion of successful trials, to supply bulk gamma interferon for finishing, testing and marketing in China.

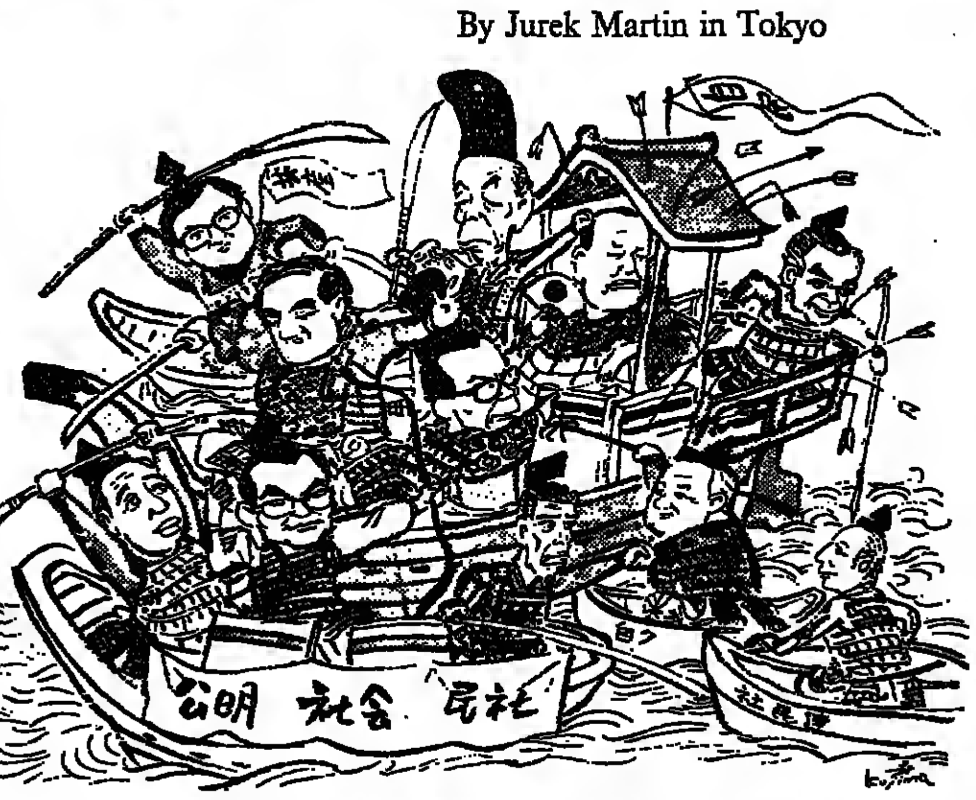
JAPAN'S ELECTION

A Press crusade for 'political ethics'

By Jurek Martin in Tokyo

THE HONOURABLE opposition is taking the election on December 18 very seriously. Tha "big three," sometimes called these days the big two-and-a-half, who range, not too far, both left and right of centre, bave each deployed more than 1,000 people in Japan's 130 electoral constituencies; each has extensively updated its computerised capacity to keep track of voter preferences; so has the smaller, but influential group in the middle, representing business interests, while out on the right the new conservative populist movement is running hard to keep up. All of them, of course, are demanding, with varying degrees of severity, that all vestiges of Mr Kakuei Tanaka, the former Prime Minister, be removed from Japanese public life.

The subject is not the political parties now in opposition in Japan. It is this country's national daily Press, which, in a very real sense, has become the official opposition, both politically and as an alternative, self-appointed arbiter to the long-serving conservative government of what is morally right and wrong.



An Asahi cartoonist's view of the Japanese election depicting the major political figures

It is the Press which has, without doubt, unilaterally declared that the overriding issue in this campaign is "political ethics," symbolised by the conviction of Mr Tanaka in the Lockheed bribery case two months ago. The Press has also, with one notable exception, given the current Prime Minister, Mr Yasuhiro Nakasone, an extraordinarily rough ride in his first year of office—and has elicited from him some savage denunciation in return.

But the role of the press in Japanese society is mnch deeper and more subtle than its invariable adversarial position implies. Although, on the surface, anti-establishment, it is inextricably a part of it; it is not particularly ideological, as many of its Western European counterparts are, or relentlessly investigative, as in the U.S.; its Press barons are not, as a rule, household names; it is intensely competitive, as are *most business sectors* in Japan, but within strictly understood boundaries.

The modern Japanese press was originally born out of a perceived need to oppose, in its case the excessive bureaucratic centralisation taking place in the Meiji era 100 years ago. Though very much used and ebused in the first 45 years of this century, it re-assumed its original purpose in the post-war years, as much as anything else because the official political opposition became progressively more ineffective.

Its current strength lies in the fact that the highly literate Japanese devour newsprint like rice. Each day nearly *70m* newspapers, produced under about 125 titles, with the morning-to-afternoon ratio running at close to three-to-one, are bought and read.

They also consume an incalculable number of magazines, ranging from the genuinely erudite to the indescribably rauncby from which only publc hairs are excised (by law) and which even the normally sanguine "salaryman" frequently leaves on the luggage rack on the commuter train rather than take home. With the exception of NHK, the BBC equivalent, television is still seen primarily as an *entertainment medium*, though an enormously popular one.

The five national dailies who matter politically are: the Yomiuri, morning circulation about 9m, worth an entry in the Guinness Book of Records, pretty much of the centre though partial, for reasons to be seeo later, to Mr Nakasone; the *Asahi* (about 8m), ronghly comparable to the Guardian, often criticised for unfair bias but still probably regarded as Japan's best general newspaper; the Mainichi (4.5m), a little bit to the rigbt of Asahi and to the left of Yomiuri; Nihon Keizai (just over 2m), generally known *as Nikkei, the Japanese FT*; and Sankei (ebout 2m), Express-like in its conservatism and even neo-colonialism (it is, strangely, a staunch supporter of Taiwan).

All of them look remarkably alike; all run to 24 pages (except Nikkel's 28), all have an editorial-to-advertising ratio of about 55-45, and all bave sober and, even in Japanese terms, anachronistic lay-outs, as predictable as the Times before it took classified ads off its front page. Thongh Tokyo-oriented, all bave regional editions, print in several places in Japan and have thoroughly computerised production methods (a group of Japanese newspaper executives, watching an FT promotional film not so long ago, burst out laughing when it got to the part showing the presses actually rolling).

All are privately owned and none release individual profit and loss figures for their newspaper operations; all are part of groups with diversified interests: the Yomiuri company, for example, owns Japan's best-known baseball team, the Giants, a department store chain and a Tokyo commercial TV station (in fact, all five bave commercial TV outlets in the capital).

Tbe informal word in the industry is that Nikkei is extremely profitable, both Yomiuri and Asahi make money, though not necessarily a beavy return on investment. Mainichi, in severe financial difficulties in the mid-70s, barely breaks even, while Sankei probably needs the subsidies it gets from its TV station and from its Nagoya-based parent publishing company.

Competition between them bas been intense on two levels. The commercial story of the last decade bas been the circulation war between Yomiuri and Asahi, a battle which severely squeezed Mainichi (hence the in-house Mainichi joke about there being "two-and-a-half" big papers). Yomiuri took the lead in the mid-70s and has slowly widened it though, in the opinion of its critics, only by employing some truly ruthless, strong-arm door-to-door direct selling techniques. Yet being the biggest has not, it is often said, given Yomiuri the stature it patently craves; Asahi, Nikkei and even Mainichi, it is understood, still attract the best quality advertising.

Editorially, the competition is equally intense but more complex. As a general rule, the Japanese Press covers stories like a blanket, but a very well folded one. Its principal mechanism is the approximately 400 journalists' "clubs" which operate very much along the lines of the Westminster lobby system and whose purpose is to cover, exhaustively and exclusively, the ministries, industries, companies and individual politicians to which they are assigned.

Nikkei, for example, has seven reporters permanently on detail with the Bank of Japan (the FT, in contrast, has no-one whose *sole* beat is the Bank of England). Foreign journalists resident in Japan, it should be noted, are denied membership of the clubs. Competition between journalists on the same paper is likely to be as intense as it is with rival publications. This has inevitably produced a tendency for the Japanese newspapers to rush into print and, consequently, to be less accurate than they ought to be.

Bnt in the political arena, the web is truly seamless. Unlike its American and European counterparts, no Japanese newspaper will openly come out and endorse a party *or an individual candidate*. But the slant of its coverage will reflect its political connections, since the Japanese Press is, as previously noted, an intimate part of the establishment.

Thus, it is widely agreed that over the last year the Yomiuri has generally held the inside track in covering Mr Nakasone, as well as being kinder to him in its leaders, principally because the chief of its editorial staff, Mr Tsuneo Watanabe, is virtually a member of the Prime Minister's kitchen cabinet.

Though impeccably plugged in, the Asahi does not appear to *have a particular political god*father at present, which may explain why it has had fewer "scoops" this year (though many political "exclusives" are often no more than kite flying done on behalf of individual politicians, including Mr Nakasone himself). None of the major newspapers is presently close to an opposition party; both the Asahi and Mainichi vigorously oppose Japanese rearmament, but neither would probaly go so far as to endorse the Socialist Party's advocacy of "unarmed neutrality."

But there are limits to their competitiveness and to their willingness to "shop" the *establishment of which they are* a part. None of the newspapers broke either of the two big Tanaka corruption stories in 1974 and 1976, though they must have been familiar with a lot of the details.

This omission may even lie behind their current virulence in demanding that Tanaka-ism be *banished* from the political scene. Some Japanese journalists, however, believe it was Mr Nakasone's handling of the Tanaka affair, combined with his patent disdain for the Press, which induced the newspapers to take up the crusade for political ethics, knowing it would *embarrass* the Prime Minister. Whatever the root canse, and leaving aside the question of whether the cart was leading the *horse*, political ethics *has* become the issue in the campaign.

Finally, and paradoxically, given the grief it has foisted on Mr Nakasone over the past year, the Press may yet prove his ultimate saviour. As Mr Takuo Hayashi, a Mainichi political commentator, pointed out recently, if one thing is certain it is that the newspapers will report in the days before the election that the ruling Liberal Democrats are in trouble; and that, he notes, just might panic the public into getting out and voting for the status quo, much as it did in 1980, in which case tha honourable opposition will be able to resume the role with which it is comfortable.

Nicaraguan gestures of conciliation win diplomatic support

BY JIMMY BURNS IN BUENOS AIRES

NICARAGUA appears to have secured significant diplomatic support for its claim that it has gone far enough in accommodating U.S. interests in Central America.

In a press conference here yesterday, Sr Felipe Gonzalez, the Spanish Prime Minister, who has been co-ordinating a series of weekend meetings involving Western European leaders, members of the Contadora group and other South American and Central American leaders, said that he was satisfied by the conciliators gestures made by the Sandinista Government over the last three weeks.

"We appreciate the gestures made by the Nicaraguan Government, including an amnesty for political opponents, a dialogue with the church, freedom of the press, and a commitment to the holding of elections. I am convinced that all this will have a great influence on international opinion," Sr Gonzalez said.

In a parallel development, the co-ordinator of the Nicaraguan junta, Sr Daniel Ortega, said that his country was actively pursuing a dialogue with Washington, and was confident of new bilateral meetings with U.S. officials, although the widely-expected summit meeting in Buenos Aires between him and the U.S. Vice-President Mr George Bush never got beyond a protocol exchange of greetings at a reception on Saturday.

"Nicaragua has issued all the guarantees that it can issue and there is really nothing more left for us to do," Sr Ortega said. He reiterated his country's intentions of holding elections in 1985 and said that all political tendencies would be allowed to participate.

Diplomatic efforts to secure peace in Central America have involved foreign dignitaries attending the inauguration of Argentina's new civilian President, Sr Raul Alfonsin, a firm supporter of these efforts. Diplomatic sources in Buenos Aires believe that the weekend talks have prepared firm ground for a new initiative this week when the Kissinger commission meets in Mexico City on the eve of a summit of Foreign Ministers of the Contadora group in Bogota on Wednesday.

In a weekend Press conference, Mr George Bush, U.S. vice-president, denied Nicaraguan claims that Washington was preparing a military invasion in the region, and indicated that he remained sceptical about Sandinistas' acceptance of the Contadora proposals

Alfonsin plans early purge of military

By Jimmy Burns in Buenos Aires

ARGENTINA'S NEW civilian government was yesterday preparing to announce a sweeping purge of the armed forces as part of an early effort to secure popular support and ensure itself against the possibility of a new military intervention in the future.

Radical sources confirmed yesterday that the new President, Sr Raul Alfonsin, had picked General Julio Fernandez Torres, ranked 27th in seniority within the army hierarchy for the key post of head of joint chiefs of staff.

According to the new command structure drawn up by the incoming government following the dissolution of the junta, General Torres, reputed to be a "professional" and trusted democrat, will hold the most senior military post after the President and the civilian Minister of Defence.

In principle, General Torres' appointment will mean the enforced retirement of 26 more senior division and brigade generals, including the former army chief, General Cristino Nicolaides, and General Angel Sotera, the head of army intelligence. Other officers may voluntarily resign from the forces, paving the way for the radicals' rationalisation of the armed forces.

Terry Dodsworth reports on a remarkable piece of bargaining at Eastern Air Lines

How a salary cut became a union victory

MR CHARLES BRYAN, head of the machinists union at Eastern Air Lines, has been hammering away bitterly at the loss-making company's besieged management for the best part of four years. Last week, his marathon battle culminated in swingeing wage cuts of between 18 and 22 per cent for the 37,500 strong workforce.

Yet Mr Bryan talks about the deal as if it were a glorious victory. Over in the executive suite, commanded by former astronaut Mr Frank Borman, the management also thinks that it has made a breakthrough.

Under the settlement, the workforce has made drastic concessions on wage cuts and productivity and Eastern reckons it will be able to save about $370m next year. But the settlement is not simply a wage cut, which is why both sides can claim satisfaction with such confidence.

Eastern has managed to avoid toppling over the financial precipice, but has itself made important concessions putting it in the vanguard of worker participation in the U.S.

This is why Mr Bryan, an articulate, tough - minded negotiator, who is making a name for himself in the national union, sounds so positive about the deal. His campaign against the management has been directed at what he regarded as profligate expenditure on new aircraft. Under the terms of last week's contract, none of the decisions he has been complaining about could be made in future without the appraisal—and probably agreement, of the company's three unions.

Two aspects of the settlement will reinforce the union's hand. The first is the issue of a block of 12m new common shares to be put in a workers' trust controlling about 25 per cent of the company's equity. Individual employees will be accorded stock related to the current $6 a share market value and the amount of salary given up; but critically for workers' participation, the block will be managed and voted as a unit, with two union representatives sitting on the main board.

Second, employees are to be given a role in determining company policy. At an early stage in decision making negotiators will be able, in Mr Bryan's words, to help "develop the business plan, review it, and if there is a disagreement, appeal to the board."

Wall Street is already expressing reservations about such a radical step, worried about the threat it might pose to confidentiality of information as well as commercial strategy. But Mr Bryan argues that it will increase the commitment of the workforce to the company.

The deal has one other important aspect from the union's point of view: over the long term, there is a possibility that the workers will lose nothing in monetary terms from the cuts. In no small part, this has resulted from Mr Bryan's negotiating tactics.

He insisted from the start that the negotiators should be on the inside of discussions with the company's bankers (Lazard Freres), its brokers (Merrill Lynch) a team of consultants (Locker Abrecht), and the U.S. and international banking community.

"It was an unprecedented agreement," says Mr Bryan. "We established right from the start what kind of financial paper we would accept." The result of these negotiations was an ingenious plan to couple the common stock issue with 3m new preferred shares on which dividends can be paid only after payment of the present preferred stock (running at $25.8m a year), up to a total of $26m a year.

Assuming the company can afford to pay, the final dividend more than a decade from now will redeem the shares—and effectively repay the workers the full amount of surrendered salary. The future dollars will be worth much less but if the common stock yields something as well, the unions have done a potentially profitable deal.

The company, for its part, seems to have come to the conclusion that this was the price it would have to pay to get its costs into line with its competitors, the new generation of low price airlines.

Even now, its wages bill will still be high. At present, for instance, Eastern pays its pilots up to $105,000 a year basic, which is due to come down to just over $80,000. But some of the new airlines are paying only between $30,000 and $40,000 per annum; and though Eastern will have cut its overall wage costs from around 39 per cent of its total expenses to 33 per cent, an airline like People Express is currently running at a wage to expenses rate of only 20 per cent.

"We are not going to be able to compete dollar for dollar with People Express," concedes Mr Richard McGraw, senior vice president, "but we shall still offer a class of transport which a lot of people want. At the same time, their labour costs are probably going to increase, while ours come down."

Eastern lost $129m in the first nine months of this year, following a three-year aggregate deficit of $158m. It is clear that it has been able to offer some positive hope of recovery next year to its 67 lending institutions, who have now agreed to roll over credit lines.

As for the existing shareholders, whose approval is necessary for the new equity issue, even the vague prospect of some earnings in the future should be enough to make them fall into line. Although they are faced with an enormous dilution of their stake in the company, they have had no dividends out of it since the late 1970s. Their shares have traded as low as $3½ in the last 12 months, against a long vanished high of $62. It is trading around $7 currently.

Thus, as in the Chrysler rescue deal which in many ways has set the precedent for Eastern, they can be expected to make their own concessions to stand alongside the workforce, management and the banks.

Mr Frank Borman, Eastern chairman, claiming a breakthrough

Honduran conscription proposals

THE HONDURAN armed forces yesterday released details of a proposed military service law expected to be put into effect within the next two months, Tim Coone writes from Tegucigalpa. The law, which will affect "all Hondurans without exception, between the ages of 18 and 30," has still to be approved by a special commission of the National Congress, but is not expected to encounter serious opposition.

One of the purposes of the law is apparently "to train all citizens in the use of arms in the face of the permanent threat of Sandinista troops" from neighbouring left-wing Nicaragua. The Honduran armed forces is essentially pro-U.S.

Bush attacks El Salvador death squads

SAN SALVADOR — U.S. Vice President George Bush on Sunday night became the latest high U.S. official to denounce in harsh words Salvadoran rightist death squads, saying "Every murderous act they commit poisons the well of friendship between our two countries and advances the cause of those who would impose an alien dictatorship on the people of El Salvador," Mr Bush said.

Mr Bush's comments came just hours after Radio Farabundo Marti, the underground rebel radio station, confirmed a split in the Popular Liberation Forces, the biggest of the leftist groups

AP

Jamaica in command of Grenada troops

SENIOR Jamaican army officers have taken command of all foreign troops and military support personnel on Grenada, following the withdrawal yesterday of just over 1,000 U.S. soldiers writes Canute James in Kingston.

The withdrawal came six weeks after U.S. troops led an invasion of the eastern Caribbean island to topple army officers who had taken power after executing Mr Maurice Bishop, the Prime Minister, and several of his cabinet.

The U.S. is leaving about 300 non-combat personnel in Grenada, also under Jamaican command. Other troops in Grenada are from Barbados, and several small eastern caribbean islands.

U.S. N-plant project hit severe cost overruns

BY RICHARD JOHNS

NUCLEAR power plants completed in the U.S. in the next few years will generally cost five to ten times as much as originally forecast, according to the Worldwatch Institute.

Projects have involved cost overruns of more than $2bn each and several recently cancelled plants would have cost as much as $8bn, Mr Christopher Flavin writes in the latest paper published by the Washington-based independent research organisation.

He calculates that the annual real rate of increase in construction costs has been 13 per cent in the U.S. compared with 11 per cent in Japan, 9 per cent in West Germany, 8 per cent in Sweden, 6 per cent in Canada and 5 per cent in France.

Cost overruns have resulted partly from new regulations, Mr Flavin acknowledges. But he stresses that escalations have been largely the result of utility mismanagement

The author estimates that plants scheduled for completion in the mid-1980s will produce electricity that costs 65 per cent more than coal-fired plants and 25 per cent more than oil-fired

Hitherto U.S. nuclear power plants performance has been hit by erratic operating schedules, according to Mr Flavin. They have operated on average at less than 60 per cent of their rated capacity rather than at 75-80 per cent as originally expected, he claims.

AT & T break-up plan reaffirmed

By Paul Taylor in New York

THE U.S. supreme court yesterday rejected the latest in a series of appeals against the American Telephone and Telegraph (AT & T) break-up, planned for January 1.

The Supreme Court action clears the last major hurdle to the court-approved divestiture plan under which AT & T will spin off its local telephone operating companies into seven new regional telephone companies at the start of 1984.

The Bell system break-up, which has stirred mounting controversy in recent months, had been challenged by the state utility regulators in New York and California. However, without hearing oral evidence, the Supreme Court ruled yesterday that "the judgment is affirmed."

Sperry pleads guilty to overcharging on arms

BY TERRY DODSWORTH IN NEW YORK

THE U.S. Justice Department has fired a warning shot across the bows of the country's big arms suppliers with the criminal prosecution of Sperry Corporation, the instrument and computer company, for overcharging on an air force contract.

Sperry has agreed to pay almost $850,000 in a negotiated guilty plea on three felony counts of submitting inflated bills to the air force in connection with work on Minuteman missiles in 1981 and 1982.

According to Mr Richard Sauber, head of the Justice Department's new fraud unit, Sperry overcharged approximately $325,000 (£145,000). After prosecution in the Federal Court in Minneapolis, the company agreed to pay $30,000 in fines, $650,000 in double damages and $168,000 in interest.

The Justice Department has recently set up a new unit to handle fraud in military procurement questions.

The move follows several indications recently that the administration is toughening its stance over arms contract pricing. Last week, Pratt and Whitney, the aeroengine subsidiary of United Technologies, agreed to refund $432,000 (£297,930) to the Federal Government after a Senate Committee investigation of overpricing for spare parts.

UK NEWS

Government to reassess satellite TV policy

BY RAYMOND SNODDY

A TOP-LEVEL review of government policy on direct broadcasting by satellite (DBS) will be held at the Home Office tomorrow.

It comes on the eve of an expected decision by the BBC's board of governors that the corporation cannot go ahead at the moment with a DBS project, which might cost £350m over seven years.

The meeting will bring together Mr Norman Tebbit, Secretary of State for Trade and Industry, Mr Kenneth Baker, Minister for Information Technology, Mr Leon Brittan, the Home Secretary, and Mr Douglas Hurd, the minister responsible for broadcasting.

Senior representatives of British Aerospace, GEC-Marconi and British Telecom, the three companies which make up Unisat, the satellite consortium, will also attend.

The BBC decision, when formally announced, will mean e serious crisis for government DBS policy and for Unisat.

The consortium, set up with the involvement of the Department of Industry, is believed to have already spent, or committed, about £50m to the three satellite systems. Unisat is still working towards a launch in the summer of 1986 and yesterday discussions continued on concluding the financial package.

All the electronic components, including the expensive travelling wave tube amplifiers, which send the signals back to earth, have been ordered. Contracts have been let for all outside suppliers, and British Aerospace, which is building the satellites, has already done 18 months of design work.

The BBC signed heads of agreement with Unisat in March but never signed the final agreement.

The seriousness of the situation was made clear to Mr Brittan yesterday when Mr Stuart Young, the BBC chairman, and Mr Alasdair Milne, director general, gave a "private progress report" on the DBS project.

That was believed to be a pessimistic assessment which indicated that the BBC could not go ahead until receiving equipment was available in volume at a price low enough to attract consumers.

Mr Brittan said in September that the BBC should not continue with the project if it had serious doubts ebout its viability. The Government has not made clear so far what the effects of such a decision would be oo Unisat.

The BBC emphasised yesterday that it was still committed to DBS in principle and hoped to be able to proceed with different partners, but there would be a delay of at least 12 months.

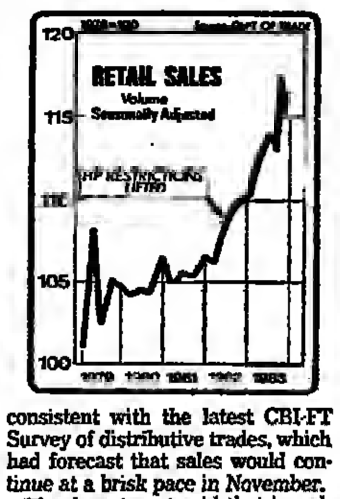
The Government may now try to put the BBC and commercial television companies together in the same satellite system to reduce the financial risk and save the project. Talks began between the BBC and the Independent Broadcasting Authority in the summer but were inconclusive.

Such a collaboration might include a company with set renting and manufacturing experience, such as Thorn EMI, which has already been involved in talks with the BBC on satellite broadcasting.

Christmas trading at brisk levels

BY DAVID CHURCHILL AND PHILIP STEPHENS

BRITAIN'S Christmas trading continued briskly last month, with retailers on course for exceptional sales. According to provisional figures released by the Department of Trade and Iodustry, spending in the shops rose 1.1 per cent in volume terms in November, compared with the previous month.



More significantly, in the four months from August to November retail sales were 2 per ceot above the average for the previous four months and 5 per cent higher than the corresponding period in 1982. During the first 11 months of the year, trade was 5 per cent higher than the average for 1982.

The department's Index was a provisional 116.5 in November compared to 115.2 in October (1978 = 100).

The figures, which show high sales levels spread fairly evenly across most retail sectors, were greeted with satisfaction in Whitehall, where officials spoke of a trend towards steady growth after erratic movemeots in September and October.

Booming consumer spending, financed by rises in real earnings and a sharp run-down in savings, have so far provided the engine for the present economic recovery.

The Treasury is forecasting that spending will rise a further 2.5 per cent next year after a 3.5 per cent increase in 1983. But many private forecasters expect the expansioo to be only 2 per cent or lower, as savings reach historically low levels.

The Confederation of British Industry said that the figures were consistent with the latest CBI-FT Survey of distributive trades, which had forecast that sales would continue at a brisk pace in November.

The department said that in value terms (not seasonally adjusted) retail sales in November were 10 per cent higher than in the same month last year. The average value of sales this year is about 9 per cent higher than in the same 1982 period.

Stores such as Boots, Marks and Spencer, and Rumbelows all said that sales had accelerated in the second half of November and in recent weeks.

This Christmas will be the first since 1977 for which there is a full week's trading before Christmas Day. "Most retailers take a large slice of their week's takings on a Saturday and this year will be no exception," says Mr Roy Burgess, managing director of British Home Stores.

Enterprise Oil sizes up takeover targets

By Ian Hargreaves

ENTERPRISE OIL, the North Sea oil arm of British Gas, is already starting to examine possible acquisitions ahead of its privatisation next year.

The company has been told, however, that it would not be politically acceptable for Enterprise Oil to make any formal advances on targets before flotation of its shares, which is expected in the spring or summer of 1984.

Mr William Bell, Enterprise Oil's chairman, made it clear yesterday that he sees the company engaging in an aggressive programme to acquire exploration acreage to add to its already substantial production interests.

This is necessary in order for the company to avoid paying too much in taxation, the liability for which will become heavy in the course of next year.

Initially, the strategy will involve pursuing farm-in deals with other oil companies and participating in the ninth round of North Sea licensing, which is expected to take place in February.

Mr Bell said that Enterprise had already started to look at smaller independent British oil companies as possible acquisition targets, although be accepted that no action could be taken on this front until after flotation.

Mr Peter Walker, the Energy Secretary, would not be drawn yesterday on the likely date of flotation, but he did say that Enterprise could not expect to receive any especially favourable treatment in the ninth round.

Mr Bell said that Enterprise would publish eight-month financial figures in February – an indication that the Government would like a spring flotation, assuming that the oil sector in the stock market is healthy at that point. Enterprise is thought to have a cash flow of about £100m a year.

The flotation is expected to raise about £400m, but the final figure will depend upon the course of oil prices between now and the flotation date. Enterprise Oil's most urgent task, following the news last week that Mr Graham Hearne, chief executive of Carless, Capel Leonard is to be its first chief executive, is to equip itself with a credible top management team.

Tax revenue peak, Page 14

UK to support mergers among City institutions

BY RICHARD LAMBERT AND PETER RIDDELL IN LONDON

THE BRITISH Government will encourage the merger of City of London institutions, and it believes there is a need for more financial conglomerates.

This has been made clear by Mr Alex Fletcher, the Under Secretary for Corporate and Consumer Affairs, in an interview on the future of the City's securities markets.

Mr Fletcher says that "the separation of City institutions has probably had its day and there is a need for more financial conglomerates."

The present informal system of club rules will, he argues, have to be replaced by a more formal framework of self-regulation with statutory backing, giving ministers reserve powers of intervention.

The Government is considering the report on investor protection from Professor Jim Gower and will produce a White Paper (policy document) early next summer.

Mr Fletcher's comments follow criticism by MPs of all parties of the Government's alleged failure to spell out its policy. These came during the House of Commons debates on the Bill to exempt the Stock Exchange from proceedings under the Restrictive Trade Practices Act.

London Stock Exchange reform, Page 19

Engineering unions settle for 5% pay rise

By David Goodhart

LEADERS OF the 17 unions in the engineering industry yesterday agreed to recommend acceptance of a pay offer of 5.18 per cent.

They also agreed to form a joint working party with the Engineering Employers Federation (EEF) to encompass both the union claim for a 35-hour week and the EEF's counter-claim for radical changes in working practices.

The pay deal, which is almost certain to be formally accepted by both sides, compares with a 4.8 per cent rise last year. The oegotiations are the largest in the private sector and directly involve about 600,000 manual workers in the EEF's 5,500 member companies.

The outcome usually affects about 1.5m workers, and is often taken as a guide by other private sector employers.

Ooly those workers on the national minimum rate – about 5 per cent of the bargaining group – are affected. But it directly affects overtime rates and this ofteo sets a trend for other settlements.

Seamen accept 5.3%, Page 14

'Tiresome' effort to gain De Lorean information

BY JOHN GRIFFITHS

ONE OF the Northern Ireland Development Agency-nominated directors to the De Lorean board in Belfast considered resigning shortly after his appointment in 1979 because of the unsatisfactory way he was being provided with information, the House of Commons public accounts select committee was told yesterday.

Mr Alex Fetherstone, who became one of the agency's two nominees on the board after retiring as chief executive of another U.S. company's Northern Ireland subsidiary, said he found his inability to obtain adequate information "very tiresome" and that he had become "browned off" with his efforts to do so.

Mr Fetherstone's evidence, and that of his fellow agency nominee Mr J. R. Henderson, painted a vivid picture of the £80m UK Government-backed venture being completely dominated by its founder and chairman, Mr John De Lorean.

Mr Fetherstone complained that board meetings were never held on their scheduled days and "we never got the relevant papers in advance of board meetings – they were usually handed over at the meetings themselves allowing no time for study."

He said he would complain to Mr De Lorean who would reply that the situation would improve. But it never did. Mr De Lorean "left no one in any doubt that it was his company."

The committee heard a string of examples: how De Lorean had caused the Belfast subsidiary to be charged for the cost of setting up car preparation and rectification centres in the U.S. and how the U.S. company received interest-free loans of £6.5m despite a master agreement requiring all transactions between the U.S. and UK companies to be at arms' length.

It also heard how the U.S. company was allowed to undertake to repay the loans out of windfall profits from exchange rate fluctuations – at no cost to Mr De Lorean's company in the U.S. In the event, the loans never were fully repaid.

FINANCIAL TIMES SURVEY

Tuesday December 13 1983

CANADA

BANKING AND FINANCE

The dividing lines between banks, trust companies, insurance groups and the securities industry are becoming blurred by regulatory changes and electronic banking technology but overall they have come through a stressful period in reasonable shape

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Editorial production: Arthur Dawson. Design: Philip Hunt

The system changes

By W. L. Luetkens

THE FINANCIAL institutions of Canada are emerging in fair shape from a period of considerable stress. Bank profits improved in the year of account ended on October 31, permitting capital ratios to be improved. Foreign risks are not as obviously problematical as they were a year ago.

But simultaneously with the short-term stabilisation a number of long-range trends have emerged which may revolutionise the entire system. As in other countries regulatory changes and electronic banking technology is threatening to undermine the four separate pillars of the Canadian system.

The dividing lines between banks, trust companies, insurance companies and the securities industry of brokers and investment dealers are becoming more permeable and may to some extent disappear.

Bank profits improved in 1982-83, even though declining business investment caused a contraction of overall assets of the chartered bank system. It was, however, made up for by better margins as falling interest rates reduced funding costs.

Paradoxically, higher provisions may also have helped. These provisions are assessed on a five-year moving average. When actual losses decline, the provisions will be higher than needed and can boost retained earnings. This appears to have happened in the year now ended.

At the same time several banks have taken advantage of the bull market in Canadian equities to increase their share capital. As a result the gearing of the chartered bank system as a whole improved from 32 a year ago to around 28.

The ratio measures the extent to which liabilities exceed capital. The latter is defined by a formula in which permanent elements such as shareholders' equity are counted in full, whereas, for instance, retractable preferred shares are given a reduced weight.

Worries less acute

That is not to say that the worries of 1982 have faded away: they only have become less acute. The difficulties of Dome Petroleum rumble on: Massey-Ferguson is not out of the woods; and Latin American debt is heavy. At the outset of 1982-83 the Big Five Canadian banks had C$22bn (about £12bn) outstanding in credits to Latin America and the Caribbean area.

Trust companies have also benefited from the interest cycle. Their importance in Canada can be gauged from aggregate assets of C$85bn compared with the chartered banks' C$370bn.

The trust company industry has undergone a severe storm in recent months. A number of take-overs has brought most of the big trust companies under the control or influence of major shareholders.

Three smaller trust companies in Ontario were seized by the provincial Government after irregularities had been alleged. The affair is likely to affect amending regulatory legislation which is on the way.

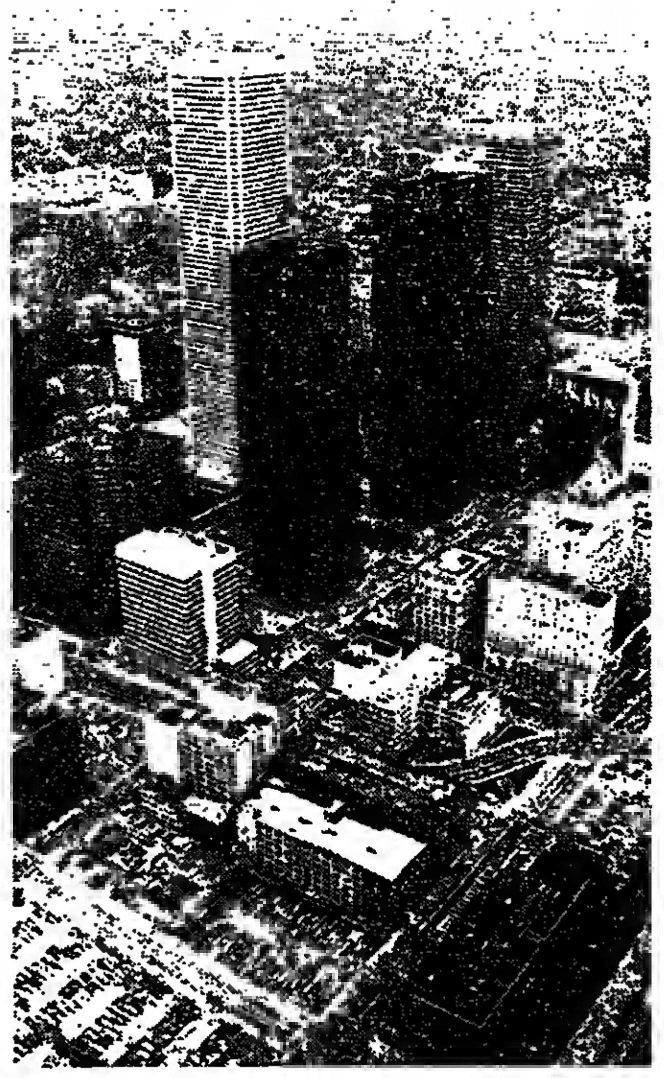
The farthest reaching proposal under discussion would submit at least the bigger trust companies to a regime similar to the rules barring the accumulation of share stakes exceeding 10 per cent in the bigger banks. (So-called Schedule B banks may be closely held, but are severely limited in the amount of assets they may hold.)

The proposal is notably absent from a White Paper on trust company reform published by the province of Ontario whose rules are usually followed in the rest of the country.

That may not be the end of the matter since the banks feel that trust companies, which already may supply all retail banking services, should be made to follow the same rules if they deepen their incursion into commercial lending, the banks' historic preserve. Legislation permitting them to do so is under consideration both in Ontario and Ottawa, the federal capital.

Another possible riposte for the banks is to ask for the fiduciary powers at present reserved for trust companies (or for lawyers). Opinion among the banks seems to be divided as to whether this is desirable. But as Mr Gordon Bell, president of the Bank of Nova Scotia, points out, if the trust companies continue crossing the demarcation lines separating them from the banks, the banks must try to do the same. If ever they do get trust powers they may be expected to pick and choose, competing only for the most profitable kinds of business, which means corporate business.

Not that the banks have been idle in the scramble. Toronto-Dominion Bank put the cat among the pigeons when it advertised a service giving its customers access to discount brokers established since the abandonment of fixed commissions on the Toronto Stock Exchange.



Terry Kirk

The banking and business centre of Toronto

The actual trade is to be done by the broker. The bank will merely gather orders to permit economies of scale.

The securities industry protested vigorously, but lost before the Ontario Securities Commission which deemed the scheme permissible under certain safeguards. Similar raids into the brokers' territory have been made in Quebec where several trust companies have been granted limited brokerage rights.

In answering the complaints of the securities industry, the banks point out that investment dealers, who are the underwriters of corporate securities and often deal in secondary equity markets, have in some cases become deposit takers by running interest-bearing accounts for their clients.

Another challenge to the bankers is on the way from the insurance companies, whose association has asked for a whole range of new powers for its members, including the right to extend "financial assistance" to consumers wishing to buy insurance or annuities.

They also want the right to acquire subsidiaries engaged in any lawful activity, which must include the right to acquire industrial companies.

From within their own special domain the established Canadian banks have been challenged by the affiliates of foreign banks given banking status by legislation in force since 1981.

That legislation restricted the foreign banks (which rate as Schedule B banks) to 8 per cent of the total Canadian assets of the chartered bank system. With C$16bn in such assets the foreign banks had come close to that limit by the beginning of the year. Since the foreign banks were admitted in the interests of competition the limit may be abolished. It would still leave the foreigners under serious constraints since their assets must not exceed "deemed capital" by more than 20 times. Deemed capital is awarded by the Government under various criteria, for instance, the extent of reciprocity granted to Canadian banks in the country of the foreign bank's parent.

Where will all the jockeying lead to? There are some signs that events are moving towards the establishment of "financial supermarkets." There is, for instance, Trilon, in which Brascan holds 39 per cent. Trilon holds 49 per cent in the largest Canadian trust company, Royal Trustco, and 98 per cent in London Life, an assurance company of London, Ontario.

Many bankers are doubtful, however, whether the financial supermarket really is the bank of the future. One of the barriers is the reservation of corporate underwriting for the investment dealers.

Danger

If banks were to be permitted this activity, industry would be in danger of having one source of funds only. Mr Robert MacIntosh, president of the Canadian Bankers' Association, says it is improbable and undesirable that this field should be opened to his members.

The pattern, then, is one of increasing overlaps in a number of grey areas with certain core activities, as they are being called, reserved for one particular branch of the financial industry. Underwriting is one such; fiduciary activities may be another.

In the case of the chartered banks the core is less well defined. Though they dominate commercial lending, they do have to contend with competition. The same is true of consumer credit.

As against that, the banks have the advantage of a country-wide branching system and of sheer size. Competition may have hotted up for them over the years, but it does not seem to have damaged them.

CANADIAN BANKING AND FINANCE II

Fiscal and exchange rate constraints limit the Government's room to manoeuvre

Doubts about the durability of the upswing

The economy

W. L. LUETKENS

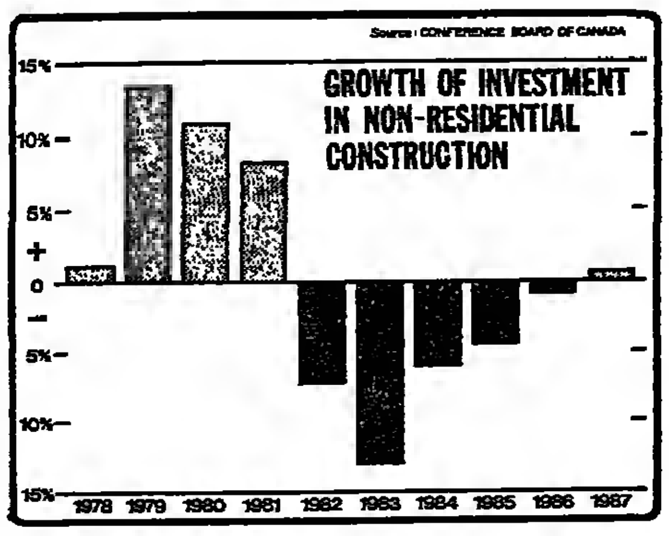
THE CANADIAN economy has recovered from a sharp setback suffered last year. After falling by 4.4 per cent in 1982 gross national product has resumed growing this year and will probably be about 3 per cent higher than in 1982. The recovery will continue in 1984.

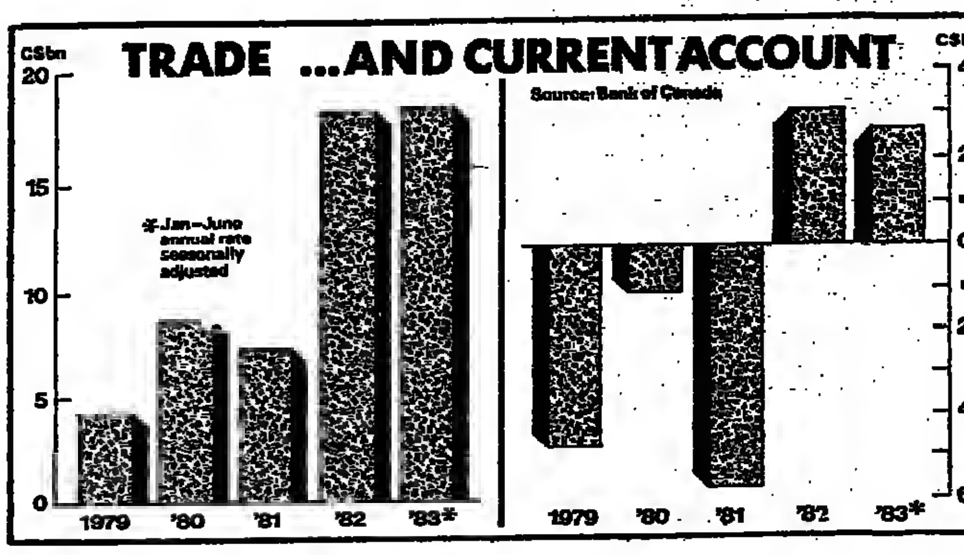
So much is widely agreed but opinions differ about the durability of the upswing. Most economists see it leading into a phase of renewed business investment driving tha economy upwards. Others are not so sure, among them Mr Thomas Maxwell of the Conference Board of Canada who describes this year's performance as "a tremendous kick-start, with nothing to back it up."

The facts of that kick-start are not in dispute. Three main elements contributed to it: a pent-up demand for cars was released in Canada and American motorists rediscovered their preference for large cars which the North American motor concerns happen to assemble in Canada; tax incentives extended by the Canadian Government and lowered mortgage rates gave a boost to housing starts and demand for consumer goods; finally the rapid expansion of the U.S. economy revived demand for Canadian raw materials.

However, the first two of those boosters are losing their power; consumer spending patterns are becoming more normal. There is not much room available for further expansionary measures.

Interest rates have gone as low as they can unless U.S. rates fall further. And with a budget deficit likely to approach C$200m (about £110m) in 1983-1984, the Finance Minister, Mr Marc Lalonde, should have few goodies to hand out in his next budget—even though 1984 is probably going to be an election year.





Lack of incentive

With industrial capacities under-employed, maybe by as much as 20 per cent, there is little incentive for industry to invest in expanding capacities. In the optimistic scenario, business investment picks up in 1985. In the pessimistic one the economic revival fizzles out in that year. Which course events take may well depend on the effect the U.S. budget deficit has on interest rates.

Unless they want a run on the Canadian dollar, the Canadian authorities cannot afford to allow their interest rates to fall substantially below those in the U.S. As it is, an unexpectedly healthy current external account has allowed the Bank of Canada to let the usual spread to narrow. Short-term rates are very close to each other on both sides of the border after a phasa when Canadian rates had to be kept as much as half a percentage point above those in the U.S.

For the Canadian banks and similar institutions this pattern of things has brought about a much-needed phase of consolidation. Overall assets of the chartered banks were almost unchanged in the first eight months of this year after rising from C$350bn to C$370bn in 1983.

The interest cycle and reduced needs for provisions against bad loans none the less enabled the banks to increase their profits in the year of account to October 31 1982. For next year bankers hope for a further expansion of consumer credit, but they do not expect lending to business to provide much if any growth.

Import demand driven down by recession caused the Canadian trade balance to register a record surplus of C$18.4bn in 1982. The current account produced a most unusual surplus of C$3bn in spite of heavy debt service payments.

Imports have been rising again this year, but so have exports, especially of cars and of lumber for U.S. housing. As a result another big trade surplus is in prospect, though the current account will only be balanced. Even that is a good performance by established patterns. It should not, however, mask the fact that Canada runs a huge deficit on finished manufactures.

The doubtful outlook for business investment has both positive and negative side effects. The consensus in Canada is that it has eliminated tha danger of an early increase of the inflation rate of about 5-6 per cent at present.

The negative side is that the unemployment rate which has come down from 12.8 per cent to 11.1 per cent in a year may not fall further in 1984.

At its present level the inflation rate is too high, not so much when taken by itself, as when compared with a rate two percentage points lower in the U.S., Canada's main customer and competitor. Yet the view is fairly widespread in Canada that inflationary expectations have not been broken.

Public sector unions have been held on a leash by the Government's policy of holding their wage rises to 5 per cent, but that programme ends in 1984. The public service unions may then revert to their traditional militancy and drag along fellow unionists in the private sector despite the unemployment prevailing there.

Persisting high unemployment despite a resumption of economic growth is a phenomenon known in many other countries. In the case of Canada there is a fairly simply explanation of why the economic revival is having a disproportionately small impact upon unemployment. For a start, the active population is increasing so that more jobs have to be found merely to stabilise employment.

In the 12 months to October the labour force grew by about 50,000 to 12.14m and the number of those in employment rose by 30,000 to 10.77m.

Demographic

Besides the demographic problem, it is non-residential construction which is most likely to provide many new jobs, and non-residential construction depends very much on industry being ready to extend its capacities. That is not happening.

On the contrary, most of the investment under way or in prospect will be in plant and machinery, especially in office equipment and computerisation, and may benefit imports more than domestic demand.

A faw years ago it was thought that the country's economic wellbeing would depend on the so-called megaprojects in the energy field: huge plants to process non-conventional oil, pipelines to carry gas from the Arctic, and the creation of new hydro-electric plant.

These projects have all but collapsed, since energy prices have not risen to the level required to make them economic. Besides, demand for petrol has dropped off sharply, causing several refineries to be mothballed; and exports of natural gas are at less than half the quantities authorised by the National Energy Board.

Yet the energy industry upon which such large hopes for Canada's future were pinned in tha 1970s may have reached a turning point after all the turmoil of the Trudeau Government's efforts to wrest control over it from foreign hands. Improved tax and royalty régimes and a rise of the controlled Canadian oil price towards world prices have helped returns. Demand for gas may still be low, but oil exploration is reviving.

Even some of tha megaprojects have coma to life again as what are whimsically known as "mini-megaprojects" on a heavily reduced scale. Syncruda, which extracts oil from the Alberta oil sands is increasing capacity from 100,000 to 120,000 barrels a day, and some smaller ventures in that area have been decided on at an aggregate cost of up to C$3bn.

All this is a long way from the euphoria of the 1970s. That euphoria led straight into a period of severe inflation. It encouraged a flood of huga take-over bids which went sour as energy projections were found to be excessively optimistic; it thereby contributed greatly to the problem loans of the Canadian banking system. The greater sobriety now prevailing may not be a bad thing.

The storm leaves profits unscathed

Trust companies

NICHOLAS HIRST

PROFITS OF many of Canada's trust and loan companies have doubled this year despite a crisis which threatened the safe, staid and conservative image of the industry.

To protect depositors' interests the Ontario Provincial Government in January seized $2bn of assets in three companies, Greymac, Seaway and Crown Trust, and in a parallel action the Federal Government took control of two smaller related mortgage companies.

The unprecedented action rocked the financial community. The political opposition in the Ontario legislature demanded stricter regulations and increased pressure for new legislation. Both provincial and federal governments' feared the companies had advanced mortgages without adequate security in a series of transactions involving 11,000 appartments formerly owned by Cadillac Fairview, an international property developer based in Toronto.

There had been fears that the events leading up to the seizure could damage public confidence and lead to a run on deposits from other companies in the industry. But the prompt action and the raising of deposit insurance from a limit of $20,000 to $60,000 served to allay fears.

The Trust Companies Association of Canada monitored its members closely, but the potential crisis passed without damage. "None of the companies had any indication that client confidence was falling," Mr James Sayer, the association's executive director, said.

Demand rose

Deposits continued to flood into the industry. Mortgage demand rose as the domestic house market improved. Industry assets by the end of the second quarter had grown to $84.9bn from $76.5bn at the end of last year, while the assets of the Canadian chartered banks stagnated at $370bn.

Falling interest rates and a widening spread between deposits and receipts on mortgages has served to push up profits. Victoria and Grey, one of the big seven in the industry which account for 70 per cent of its total deposits, reported nine month profits of C$28.7m against C$10.9m. Canada Trustco reported nine month earnings of C$44.8m compared with C$26m.

The problems of the seized trust companies are being solved with assets either being sold or their activities wound down. Assets of the largest, Crown Trust, were sold to Central Trust. The public has clearly regarded the affair as an isolated event, but pressure for new legislation remains, not least from the industry itself. Its concern is that legislation could prove more restrictive than it would like.

Competitive pressures on the trust companies over the past decade have risen sharply. Established in the 19th century to perform executor and trustee business and manage the estates of the wealthy, the trust companies have taken on many banking functions offering guaranteed interest savings accounts and other facilities. They are essential to the smooth operation of the financial system. In Canada, banks are prohibited from taking on trustee business. The trust companies act as registrars and stock transfer agents, and manage pension funds for the fast growing individual retirement savings accounts. Over the past 10 years the estate, trust and and agency funds, which they manage for others, have risen from C$29.4bn to C$88.8bn.

Relative decline

But over the same period, mortgage lending—which has developed as their primary business—has moved into a relative decline as the population has aged and immigration slowed down under strict controls. At the same time, following an amendment to the Bank Act in 1967, the chartered banks have moved aggressively into mortgage lending. The trust and loan industry's share of outstanding residential mortgages dropped from 65 per cent in 1971 to 54 per cent in 1982. In 1982 the trust companies wrote only 48.4 per cent of new residential business.

The industry has reacted by diversifying into commercial and personal lending, but has been heavily restricted by the present legislation.

Trust companies can be either federally or provincially registered. A draft federal Bill and discussion paper, expected to set the tona for all new legislation, was published last summer, intended to increase the companies' ability to write commercial loans and to compete more equally with the chartered banks.

The discussion paper, however, included a provision to restrict individual shareholdings in any trust company with $1bn or more in deposits to 10 per cent. The big chartered banks already have a similar restriction, but all but one of the large trust companies, Canada Trust, have controlling shareholders.

The industry has argued that prudential management would not be improved by removing controlling shareholdings. Such a move, they argue, would lead to a damaging upheaval. But the Greymac, Seaway and Crown Trust debacle has served to heighten the debate.

Canada Trust, in which insurance group Manulife has acquired a 20 per cent holding, has argued strongly that the 10 per cent rule should be brought in. Its president and chief executive, Mr Mervyn Lahn, told his annual meeting that if tha five companies had not been controlled by large single shareholders their problems might never have occurred. "Indeed, with trust companies the need for independence is greatly expanded because of avoiding conflicts of interest in any action as trustee," he said.

Federal legislation, however, has been put on the back burner and is not expected before the next election. The Ontario Government has taken tha lead with a new White Paper on which it intends to hold hearings in the spring. The Ontario paper rejects the idea that prudential management would be improved by a 10 per cent rule. It plans to extend legislation requiring government authorities to vet any change of ownership of 10 per cent or more and to increase reporting requirements.

Pattern followed

In other respects the proposed Ontario Law follows the pattern of the Federal legislation and increases permitted lending on commercial and personal loans unsecured by property from 7 to 15 per cent of assets. A more significant change may be made by the Federal Government before it introduces new legislation. At the moment trust and loan companies must keep 66⅔ per cent of their assets in certain qualifying categories including first residential and commercial mortgages and government and other qualifying bonds. That limit has been reduced once from 70 per cent allowing companies to increase certain types of secured commercial lending. Under existing legislation the Federal Government has the power to reduce it again and the trust industry believes it will cut the qualifying categories to 50 per cent.

The trust industry's ability to offer term lending to corporations, covered by the 7 per cent limit, would still be restricted, but its ability to compete with the chartered banks would, nevertheless, increase.

Even without the change, analysts believe the industry is seeing more than a cyclical recovery. Over the past five years the terms offered on residential mortgages have been reduced from 20 yars to five years and less, with amortisation still over 20 years and more. Rates vary on the length of the mortgages and house buyers must be prepared to renegotiate their loans at the rate ruling when their term expires.

Deposits have also moved to a term rather than a demand basis and assets and liabilities have become better matched. Mr Robin Cornwell of McCarthy Securities, estimates that the large trust companies' average return on capital this year will be between 15 and 20 per cent, a level last seen between 1970 and 1975, topping the banks' return of between 13 and 15 per cent.

The bruises start to heal

Domestic banks

DAVID LASCELLES

THE LOFTY towers clustered at the junction of King and Bay Streets in downtown Toronto look solid and polished. But the banks inside can be excused for feeling a little bruised. The past 18 months have included some of the toughest the Canadian banking industry has endured since the last war. And powerfully-built though Canada's Big Five may be, the experience has taken its toll.

Assets are down, profits are only just beginning to recover, and they would be just as happy if you did not mention names like Dome Petroleum in the executive suites.

But with luck, the worst may be over. The massive defaults that swept through the Alberta oil and gas industry seem to be easing off as Canada's economy gets back on to its feet, and the debt crisis in the less-developed counties which caught all the big banks heavily exposed, has lost a lot of its sting.

"I think we are on the far side of problem loans," said Mr William Mulholland, the chairman of Bank of Montreal, which has just reported a 10 per cent improvement in earnings for 1983.

It has been a chastening experience. Four of the Big Five had $1bn each out to Dome Petroleum when it teetered on the brink of collapse a year ago, owing C$7.5bn, and surely no Canadian banker who went through that will allow himself to be swept up in such excitement again.

Miraculously, Dome managed to keep current on its interest payments which meant the banks were not forced to write off their loans (though some may have set aside cautionary reserves). This fact alone staved off disaster, and has allowed Dome and its banks to hammer together the rescue plan announced earlier this month.

Loans stretched

The banks have agreed to stretch out their loans. But at least they have not been forced to convert their loans into equity.

Mr Dick Thomson, chairman of Toronto-Dominion, even manages to sound quite upbeat: "We are confident about Dome Petroleum now. It has good oil and gas properties, and it can produce the cash."

Dome is not the end of the story, of course. Turbo Resources, another Alberta energy company, is struggling under a C$820bn debt burden. But with the banking system in better shape, there is not the same sense of impending doom.

The Canadian banks have also been quite cautious in treating their LDC loans. Unlike the U.S. banks, they do not subscribe to the notion that countries never go bust, so they *have been writing off some* of their sovereign risk exposure. But because Canadian banks make write-offs on a five-year rolling average, the impact in any one year need not be that big.

The Bank of Nova Scotia, the most international of the Canadian banks, has proportionately the heaviest exposure to big Latin American debtors, equivalent, according to IBCA Bank Analysis in London, to about 189 per cent of equity, putting it on a par with the big U.S. banks. Bank of Montreal is not far behind with 178 per cent, followed by the Royal Bank (149 per cent), Toronto-Dominion (122 per cent) and Canadian Imperial Bank of Commerce (109 per cent).

In volume terms, the Royal leads with an estimated US$3.5bn to Latin America. But Mr Allan Taylor, president, says he is "cautiously optimistic that we are going to be abla to rebuild these economies."

Despite the economic recovery, the banks have not seen any growth in their basic business: loans. Total assets in the banking system are virtually unchanged this year; at some banks they have actually shrunk: Toronto-Dominion *ended its fiscal year 6 per cent* smaller than it started.

According to Mr Thomson, consumer lending has not picked up, corporations are funding themselves in the equity markets (where there has been a boom in *rights* issues) to restructure their balance sheets, and foreign lending, except to the soundest customers, is not popular.

But thrifty Canadians are still depositing money with banks at a record rate, which creates problems for bankers given the shortage of assets. Most banks have opted for tha easy way out by stuffing surplus funds into Treasury bills: the liquidity of the Canadian banking system can seldom have been higher.

"I wish we could see more sign of capital spending," said Mr Taylor, of Royal Bank, rather wistfully, though he expects brisker loan demand next year.

The banks are also eyeing the booming equity market themselves, with some encouragement from the Inspector *General of Banks* who, *like* all bank regulators, never thinks capital ratios are high enough.

New definition

Last summer, the Royal Bank issued C$300m of preferred stock, taking advantage of a new definition of bank capital which allows this stock to be counted as "primary" capital.

Last month, Toronto-Dominion announced a $243m rights issue, its first in nearly 10 years. Given that T-D is already the most strongly capitalised bank in Canada, the issue has sparked speculation that it has a big *acquisition in mind*, like rival Bank of Montreal's recent bid for Harris Bank of Chicago. But Mr Thompson denies this.

The official reason is: "The bank must ensure that it positions itself in a manner that *will allow it to take advantage* of future business opportunities for growth."

Unusually, the issue will be actively marketed abroad to increase T-D's foreign ownership, which at 3.5 per cent is low by Canadian standards.

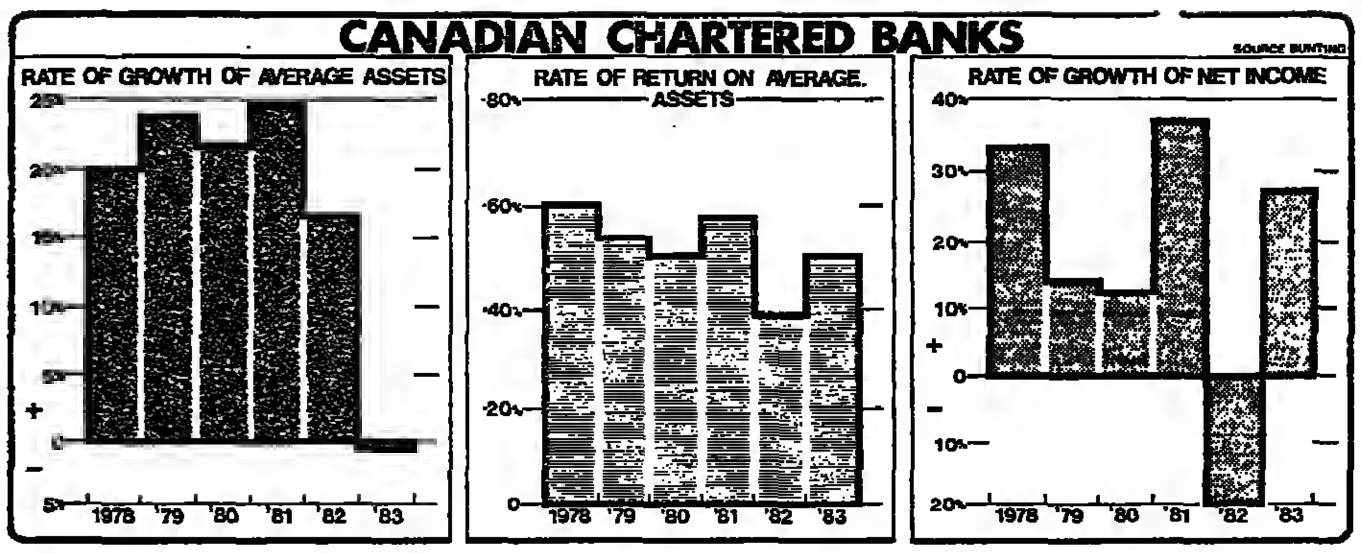
The Bank of Montreal-Harris deal—by far the largest thrust by a Canadian bank into the U.S. market—has stirred and divided opinion along Bay Street.

Harris Bank, with U.S. $7.6bn in assets is perhaps best known for its trust business, though it is also an important bank in *and around Chicago.* According to Mr Mulholland, Montreal's chairman, the C$670m acquisition will put his bank "on both sides" of U.S.-Canadian commerce, which runs at $106bn a year, as well as giving it *a good foothold in the U.S.* market, and an interest in the trust business (from which Canadian banks are barred by law in their home country).

No one doubts that the tough-minded Mr Mulholland will maka a good go of Harris. But they will all be watching him like hawks. The big question is how Montreal will finance the deal. The bank has enough cash to pay in the first instance. But longer term money—including possibly a rights issue—will have to be arranged afterwards.

HOW THE BANKS PERFORMED

	Profits (C$m)			Assets Oct 31 (C$bn)		
	1983	1982	% change	1983	1982	% change
Royal Bank	480.0	358.0	34.0	84.7	88.5	−4.3
Canadian Imperial Bank of Commerce	315.0	281.0	12.0	68.1	68.4	−0.5
Bank of Montreal	283.0	257.0	9.9	63.2	62.0	2.0
Bank of Nova Scotia	347.7	272.6	27.6	59.8	53.6	2.2
Toronto-Dominion	325.0	308.0	6.0	42.5	45.0	−6.0



Slow growth brings plan to diversify

Life insurance

NICHOLAS HIRST

FACED WITH growing competition and the blurring of traditional barriers between *financial institutions in* Canada, the country's life insurance companies are pressing for new legislation to allow them to diversify.

Life insurance in Canada has not grown as fast as in other countries, and in Canada itself has been outstripped by other forms of savings. Canadians used to be the most heavily insured people in the world; now they have dropped back to third place, behind the Japanese and the Americans.

In the 1960s, life insurance premiums accounted for about 25 per cent of personal savings in Canada; today that figure has dropped to 14 per cent.

Provision of a government pension plan, a national health system, and, according to the industry, a growing public perception that inflation undermined the value of insurance policies, have all served to slow the companies' growth.

Aggressive marketing of attractive savings bonds by the Government and tax incentives on other investment vehicles have led savers away from insurance.

In Canada, life insurance premiums for whole life, endowment and terms policies do not carry tax relief, as they do in Britain. But Canadians can invest up to C$5,500 a year with full tax relief in individual retirement savings plans, if they are self-employed, and up to C$3,500, if they belong to an occupational pension scheme. The insurance companies were slow to market competitive individual retirement plans, losing potential business to the trust companies, who saw such plans as a natural extension of their trustee and agency business.

Total income from annuity plans to the insurance companies in Canada in 1982 was C$4.5bn of a total premium income from annuity schemes was only C$437m of a total of C$1.45bn and most of that came from group pension plans.

Annuity plans

By 1981 individual annuities accounted for 62 per cent of total income from annuity plans, but a *significant* proportion was designed specifically as to provide a tax shelter rather than retirement plans. In November 1981 the law was changed, making the tax shelter annuities unattractive, and in 1982 individual annuities dropped back to 52 per cent of the total.

Present legislation has put the mutual companies, such as Sun Life and Manufacturers' Life at a potential disadvantage to joint stock companies, such as London Life and Crown Life. The big companies, such as Sun and ManuLife have expanded aggressively overseas. In 1982, *of a total worldwide* premium income of C$9.4bn, overseas premium income for all Canadian life companies amounted to C$3.1bn, a growth of 23 per cent, against a small decline in Canada.

But at home, the mutual companies are restricted from diversification. Holding companies of joint stock groups are able to own both life insurance and trust companies. Brascan, which controls London Life, has this year taken a controlling interest in Royal Trust, the largest trust company in Canada, placing both in Trilon Financial Corporation, a group intended to offer a wide range of financial services.

Banks and other large financial institutions have been given permission recently to promote cut-price share-dealing services, further opening up the savings market to competition. But at present, federally regulated insurance companies—90 per cent are federally regulated—are *restricted* from offering such services.

In September, the Canadian Life and Health Insurance Association presented a submission to the federal government, pressing for changes in an Insurance Act, which has not been amended since 1932. In contrast, the Bank Act comes up for revision about every 10 years.

Liberalising

The insurance industry submission urges liberalising the function of all life insurance companies and asks that they be allowed to set up subsidiaries, which would allow them to compete more directly with banks, trust companies and the investment dealers.

At the moment, mutual life companies are not allowed to hold more than 30 per cent in any company. ManuLife, for instance, recently took a 30 per cent holding in Canada Trust, the only large independent Canadian trust company, which has since been diluted to 20 per cent.

Under the amendment proposed by the industry, life insurance companies would be restricted from taking more than 30 per cent of e non-financial company, without previous approval of the federal superintendent of insurance, but will be able to set up or acquire financial companies.

The Bank Act, however, would prohibit insurance companies from setting up banks proper. The changes would *allow* mutual companies to acquire or set up trust companies. The insurance industry wants to be allowed to provide a full range of financial services, including current and deposit accounts and other "transaction" aervices.

The insurance companies also want to be allowed to act as thair own administrative trustees for pension and savings plans, services now performed by tha trust companies, to lend money to customers wanting to buy insurance and annuities, and to sell financial products of other companies on a fee for service basis.

At the same time, the industry wants present restrictions on its investments removed. At the moment, the life companies have to obey specific investment rules saying where they may invest their money. The companies would prefer these restrictions to be removed altogether and replaced with a concept of "prudential management," but do recognise thet may he asking the federal government to go too far too fast.

As an alternative, the industry's submission suggests the repealing of restrictions on real estate investment and in natural resources, and allowing investment in venture capital projects.

The industry has been particularly worried that proposed legislation to make the trust companies more like banks and allow them to use the term "*savings banks*" will be passed before any new legislation on life companies, putting the life companies at a greater disadvantage in competing for savings than they are now.

In the survey on Miami (October 27) the photographs of Mr John Flasco and Mr Dennis Nuson were inadvertently transposed.

Some 58 banks from 15 countries have opened under the new policy

Ottawa may open the door wider

Foreign banks

DAVID LASCELLES

ONLY THREE years bave passed since Canada opened its door a chink to foreign banks. But they have already got their feet so firmly wedged in the crack that Ottawa is having to consider opening the door a bit further, although tha original intention was to let things alone until 1990.

The odds on further liberalisation look good, though with an election year in the offing and Bank of Nova Scotia'a unfortunate run-in with the U.S. courts over its Cayman Islands business, the foreign banking community in Toronto is not counting on lt.

The 1980 revision to the Bank Act allowed foreign banks to set up Canadian subsidiaries with bank states instead of having to operate as so-called near-banks under provincial legislation. The new Bank Act limits them to 8 per cent of the domestic loan market. Their *growth* is actually controlled by the Inspector General of the Banks, Mr William Kennett who allocates each bank a certain amount of "deemed capital" which they can gear up 20 times.

Some 58 banks from 15 countries have taken advantage but already many of the larger ones like Citibank, Barclays and Chase Manhattan are bumping up against their capital limits.

"You soon realise that you should fill your book quickly so that you can go and ask for more capital," said Mr Frank Salerno, who heads Chase'a operation. Chase has been granted C$30m ($24.1m) in deemed capital which it can gear up to C$600m bot its assets already stand at $580m.

What has made things worse for the foreign banks is that the domestic loan business has actually shrunk this year because of the recession which means they have come closer to tha 8 per cent limit just by standing still.

Most banks, particularly the large U.S. ones, have gone for tha wholesale business, lending to the country's 100 largest corporations from fewer than half a dozen offices. Citibank, the largest, has built up C$3bn in assets, *about twice its nearest* rival.

At the other end of the scale, tha so-called "ethnic banks" from countries like Greece and Israel bava concentrated at the retail end, opening branches among their communities to pick up deposits and handle remittances back bome.

Barclays, which has tbe largest UK operation with assets of C$1.4bn, has aimed more for the middle market and built up a ten-branch network, the most of any foreign bank. According to Mr Geoffrey Farrar, president, Barclays identifiad customers by feeding information about thousands of companies into a computer, choosing likely prospects and then chasing them.

But to sustain this growth, Barclays bas already twice had to go to the Inspector General to ask for more capital on top of the C$45m it started with. The first time it got an extra C$10m. Last year it asked for another C$10m but bad to be content with only C$5m because *of the* squeeze.

Hearings

Tbe House of Commons Committee on Finance, Trada and Economic Affairs held a series of bearings earlier this autumn on the problem and recommended that the ceiling be lifted. Its conclusion was that foreign banks were a good thing because they were injecting more competition into the Big Five-dominated domestic market, offering new products and, in some cases, making a point of lending to small and medium sized companies.

Barclays Bank put the foreign bankers' case in a submission which stressed: "Canada is a growing country and its needs for finance are immense, more especially in the next five year cycle of growth, and anything that can be done to make it less restrictive for foreign banks, within reason, to provide these services to corporations, must surely be good for Canada."

Barclays also argued that restrictions were hurting foreign banks' profitability and putting them at a strong disadvantage vis-a-vis the domestic banks. It described its own return on capital as "mediocre." The implicit threat is that foreign banks may quit unless they can make better profits.

Part of the problem is that Canada requires foreign banks to set np fully fledged subsidiaries, not just branches, which is expensive. As one banker put it: "We have to bave enough business to pay the light bill."

Conspicuously absent from the bearings were the Canadian banks or their trade group, the Canadian Bankers Association, reflecting the embarrassingly sharp division of opinion among them on the subject.

On one side, the Royal Bank, the country's largest, has come out firmly in favour of liberalisation, though Mr Allan Taylor, the president and chief operating officer, says access should be limited to banks from countries that also allow in Canadian banks.

On the other, the Toronto-Dominion Bank, the smaliest of the Big Five, is opposed because it fears a banking invasion from the U.S. Somewhere in the middle is Mr William Mulholland, chairman of the Bank of Montreal, who supports more foreign banking in principle, but cautions against changing tha law too readily.

The Bank of Montreal's bid for Harris Trust of Chicago was, of course, unfortunately timed, at least for the opponents of liberalisation.

Just as embarrassing for its supporters is the Scotiabank affair in Florida. The bank was recently ordered by a U.S. grand jury investigating the drug trade to turn over documents from its Cayman Islands branch—something that Cayman secrecy laws forbid. The bank refused and was fined $25,000 a day until it did. The Caymans let Scotiabank off the hook by granting a special exemption, but the fine still stands.

The affair has outraged bankers in Toronto who see it as an attempt by the U.S. to claim extraterritorial jurisdiction. While it may not scupper the liberalisation moves, it certainly complicates the picture and has made American bankers in Canada a bit nervous.

Better chance

As one Canadian banker said, "It makes it harder for us to speak out in favour of a change in tha law."

The timing of any legal moves will depend on Mr Marc Lalonde, the Finance Minister, who will have to initiate a reopening of the Bank Act. Chances are he will act next year.

The most likely change is the abolition of the 8 per cent ceiling. But the growth of foreign banks would still be controlled by the Inspector General through the allocation of deemed capital. This would put Mr Kennett's office in a powerful position, though the new laws would probably lay down fairly clear guidelines.

Foreign banks that operate profitably and competitively would stand a better chance of getting a bigger allocation than those which do poor business or simply put their money into the inter-bank market.

But how much of the market would a foreigner be allowed, or able, to win? This is the key question to which nobody has a firm answer.

FOREIGN BANKS
Assets of the largest banks in Canada at August 31 1983.

	C$bn
Citibank	2.9
Chemical Bank	1.6
Bank of America	1.4
Barclays Bank	1.3
BNP	0.9
Credit Lyonnais	0.8
Societe Generale	0.8
Continental Illinois	0.7
Morgan Guaranty	0.7
Natwest	0.7

Figures are for the Canadian subsidiaries of the banks named. At the end of August foreign banks had a total of C$21.3bn in assets out of a Canadian total of C$369.8bn, equivalent of about 6 per cent.
Source: Inspector General of Banks.

Options provide a new role

Montreal Stock Exchange

DAVID LASCELLES

IN MONTREAL they don't call it the Stock Exchange any more. It's simply the Montreal Exchange, a title adopted in 1981 to reflect its broader ambitions. These, in turn, stem from its quest for survival in a business increasingly dominated by the Toronto Stock Exchange.

The ME is Canada'a second largest, accounting for about 10-15 per cent of equity trading by value, a sharp decline from its beyday 10 years ago when as much as a quarter of tha country's business passed over its floor.

Trading always tends to gravitate to the biggest, most liquid markets, and the advent of Partiquebecois did not help. It became obvious about 1980 that the ME needed to find a new role, and it thinks it has found it—in options.

Until a year ago, trading in stock options was spread among Canada's three largest exchanges (Vancouver is the third) with the result that trading volume was dissipated. Last winter the exchanges agreed to redistribute the business so that options in a particular stock were traded on only ooe exchange.

Under this deal, Montreal got, for example, Bank of Montreal, Alcan and Gulf Canada, while Toronto got Royal Bank, Bell Canada and Imperial Oil. And new options will be shared out on a 3, 2, 1 basis between Toronto, Montreal and Vancouver.

The arrangement seems to be having the desired effect. Montreal now claims to be trading about 31 per cent of the Canadian stock options market, up from a low of 11-12 per cent last year. But now that the market has shaken itself out, it does not expect to make more big gains.

More significant from the ME's point of view was a deal it struck with Toronto on other types of options and instruments. Montreal, for its part, agreed to stay out of options on financial instruments and currencies.

As a result of this deal, which will last three years, Montreal bas been able to concentrate on two new options areas: currencies and interest rates.

Currencies are the busiest. Over the past year the ME has launched options on the Canadian dollar, the Swiss franc, sterling, the DM, and the yen — all expressed in terms of the U.S. dollar. There are also two interest rate options based on Canadian government bonds.

Options, like financial futures, are a means of bedging against adverse moves in the financial markets, or simply speculating. But unlike futures, which are highly leveraged, binding contracts, options expose the trader only to the premium be bas paid for them, and it is up to him whether he exercises them or not. So options tap a slightly different market from financial futures.

Montreal'a bave been slow to get off the ground though tha Canadian dollar option bas got some volume. Unfamiliarity is a problem, and the ME is taking on some fairly well-established competition in the form of the Philadelphia Stock Exchange, the world's leading trader in currency options.

But Mr William Easley, director of the Exchange'a International Options Market predicts that volume will "snowball" from a few hundred options a day to several thousand, once the market finds its feet. He is reluctant to say by when, though.

The Montreal Exchange is *now negotiating to* open an office in London and create links with banks and firms there who are trying to develop financial hedging services. But with London also tha world's leading foreign exchange centre, the ME sees it as a vital competive step. "London is the real battlefiald," said Mr Easley.

The National Bank of Canada is matching this effort by adding a currency options expert, Mr Jacques Latendresse, to its London branch.

Eventually, the ME hopes to create a 24-hour market for currency options by linking up with exchanges in Vancouver and Amsterdam (which already trade currency options in a limited way) and the Far East, possibly Hong Kong. This would also give it an advantage over Philadelphia which only trades during regular bours.

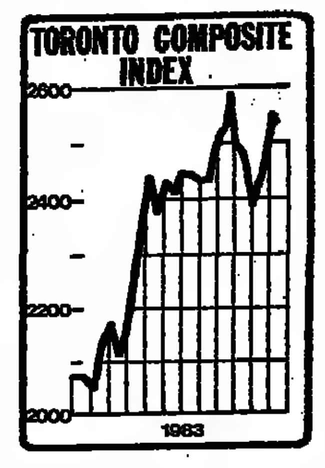
Montreal also trades precious metal options, and does a novel line in gold and silver certificates: essentially tradeable warehouse receipts.

Trading volume record lifts brokers' profits

Industrials lead the way

Toronto Stock Exchange

DAVID LASCELLES



THIS HAS been something of a landmark year for the Toronto Stock Exchange, Canada'a biggest. In May it moved into new C$25m quarters equipped with all the latest technological wizardry, making it at least for the time being, one of the most advanced in the world.

More to the point for investors, stock prices went on during the summer to hit records in beavy trading volume that brought handsome profits to the stockbrokers as well. By the end of September, more shares had been traded than in any previous full year.

In this respect, Toronto has enjoyed the same good times as the world's other leading exchanges, and for similar reasons. The boom in the U.S. market had a predictable spillover effect, and the prospects in Canada are brighter too.

Things have come off the boil a bit since September: the TSE composite index of 300 stocks retreated from its record of 2,611.8 to the 2,350 mark by late October. But November saw another big advance which has pushed the index back to around 2,550 and kindled hopes of a new record by year end.

The power behind tha boom has been a little different from Canada's recent rallies. The natural resources stocks which traditionally dominate, have taken a back seat to industrials and financial services.

Weak commodity and energy prices are partly to blame but investors also appear to be impressed by Canadian industry's improved productivity and recovering profits. Financial stocks are enjoying the same vogue as in American and European markets.

Not surprisingly, perhaps, the market's strength has drawn out a lot of equity issues: in tha first three-quarters they totalled C$4.3bn, which means 1983 will probably set a record. In addition, 77 new companies sought listings, bringing the total to 863.

The TSE is trying to encourage small- and medium-sized companies to come to tha market by allowing a so-called "junior listing" where the requirements are less stringent.

The big non-event of the year turned out to be the abolition of fixed-rate broking commissions in April, a move which shook Wall Street to the core eight years ago and for which *London is now bracing itself.*

It has all gone very calmly: there have been no spectacular broking collapses or distress mergers.

Mr Robin Younger, the exchange'a chairman, and executive vice-president of Dominion Securities, Ames, believes the tremendous trading volume bas been a good cushion; ba also points out that rates were more "tapered" to start with, so there was no big ahock. In fact, commissions on large trades were already negotiated. There could still be a shake-out if and when volume falls off and the broking business passes through the famine that always follows tha feast.

Rises and falls

As for rates themselves, studies show that large investors and institotions have benefited from a fall of as much as 25 per cent, while small investors are actually paying more, about 5 per cent. This is what happened on Wall Street and is predicted for London.

The cut in rates has also enticed new entrants like banks into gathering orders to be executed by discount brokers threatening stockbrokers with wholly new competition about which they are angry and distressed.

They have fought back by *arguing that an entry of banks* into broking raises questions of conflict of interest, and that banks could invest vast resources to carve out the market.

If all this sounds familiar to anyone who follows Wall Street, it is. The pattern of trading on the TSE, the regulatory climate and the structure of the broking industry in Canada are heavily influenced by what happens south of the border. And Canadians, as in so many things to do with the U.S., are sensitive about it.

One worry is that major Canadian stocks are now so heavily traded on U.S. markets that the majority of the business is done there. Until the end of October, only 41 per cent of the trading in so-called "interlisted" atocks on U.S. and Canadian markets was done on the TSE. Tha rest was done on tha New York stock exchange (51 per cent) and its younger brother, the Amex (8 per cent). This is tha smallest TSE share since the late 1970s when Canadian energy stocks were the darling of Wall Street, and were becticly traded on the Amex.

But Mr Pearce Bunting, president of the TSE, tries to look on tha bright side. Heavy U.S. trading, he says, attracts American investors to Canadian stocks and is "helpful" because lt feeds back to the TSE through arbitrage and adds depths to the market.

The TSE has experimented with another big U.S. invention, financial futures, but only in a limited way. For legal reasons, only exchange members have been allowed to trade, and turnover was too thin to sustain a viable market. Now, the Ontario Government has passed a new law which permits the TSE to start up a Toronto Futures Exchange with membership open to all and sundry.

That new venture, which will have 300 seats, is due to be launched on January 16.

To start with, there will be a short term and a long term interest rate contract based on Canadian Government debt instruments, and a stock index contract based on the TSE 300. (Settlement—always a tricky point with stock index futures—will be in cash).

Coming somewhat later to the field than other big exchanges, the TSE is doing its best to learn from the many failures that already litter the brief *history of financial futures.*

Upset by the intrusion of the banks

Securities Industry

DAVID LASCELLES

CANADA'S SECURITIES industry fears that a move by large financial institutions into aggressive promotion of cut-price ahare dealing services could threaten their independence and damage the efficiency of the country's capital markets.

The fears stem from a proposal made early in the year by the Toronto Dominion, Canada's fifth largest bank. The TD proposed a package, to be called the Green Line Investor Service, which would allow an investor with a minimum portfolio of C$10,000 executing at least five trades a year to use a toll-free telephone line to place abare transactions with recently established discount brokers.

An outcry from the investment community led the Ontario Securities Commission, the leading regulatory authority in Canada, to bold 22 days of bearings on the widest possible implications of the proposal. Established full service brokers argued that the plan was "tbe thin end of the wedge" for the banks to move in on the securities industry leading to an undue concentration of financial power and a reduction of choice in the provision of financial services.

Key decision

In a key decision this autumn contained in a 77-page report, the OSC rejected tbe investment community's arguments and ruled that banks and other large financial institutions which wished to offer access cut-price share dealing services, would be allowed to do so.

The investment community is furious. A joint committee of Canadian stock exchanges, and the Investment Dealers Association, which gave evidence at the bearings, is asking the Ontario provincial government, the legislative authority governing the OSC, to conduct an independent review and is lobbying politicians to get the decision changed.

In a statement the committee said the OSC has "paved the way for one-stop financial shopping through financial institutions.... without adequately weighing the costs and benefits of doing so."

Much of the argument rests on how much business the institutions might attract. So far only the Toronto Dominion has definite plans to introduce a service, but the investment community believes others will inevitably follow suit. The Canadian Imperial Bank of Commerce said: "If for competitive reasons we need to be there, we will be there." Trust companies and insurance houses have also indicated their interest.

Under successive Bank Acts, banks have been allowed to accept passively share deals for their cusomers. They are not permitted to give advice against fees and must have the actual trada carried out by a broker. The business, however, bas been small. Last year the Toronto Dominion handled about 10,000 transactions with an average value of C$3,000, a tiny proportion of total Canadian trades. But the intention of the legislation, the investment community argues, is for banks to provide a service to outlying areas without retail brokers offices, not actively to "solicit" business.

The investment community claims that the TD service, and others like it, is a totally new departure which would turn financial institutions into active participants in the securities market in direct contravention of Canadian public policy and practice of keeping a strict separation between different financial functions.

The Toronto Dominion argues that the new plan is littla more than a packaging of present services. The main differences are that it will use discount brokers to provide the cheapest possible commission rates and that it will be advertised widely in newspapers and through the post to customers and shareholders. Its impact, tha Toronto Dominion say, will be minor. Mr Alan Hocking, a TD vice-president, believes it might double the present number of transactions, still a small proportion of the Canadian total.

Investment houses disagree. They see the OSC's decision as a first step towards the breaking down of traditional barriers between the securities industry and other financial institutions along similar lines to recent developments in Britain and the United States.

Discount brokers were set up in Canada after the OSC allowed Toronto Stock Exchange members to move from regulated fixed rate to negotiated commissions on April 1. Only three are in business and they have bad little effect on the full service investment houses. But the securities industry believes that if their services are promoted aggressively through banks and other financial institutions, traditional brokers' retail business could be undermined.

One expert told the OSC hearings that financial institutions could be executing between 25 and 50 per cent of retail broking business—half the Canadian total—within five years.

1,000 branches

The TD bank alone has more than 1,000 branches compared with 476 for all members of the Investment Dealers' Association. Once the banks built up a substantial distribution network through the secondary share dealing market, the investment community argued it would only be a matter of time before they pressed for an amendment to the Bank Act to be allowed to underwrite new issues, undermining the brokers' independence. The banks, in short, would come to dominate the securities industry, competiiton would suffer and capital raising, through lack of choice, would be impaired.

It was this argument that the OSC rejected. "The commission has great confidence in the ability of the securities industry to compete with other financial institutions in the narrow area of delivery or brokerage services," its report stated.

The commission reaffirmed its commitment to keeping a separation between the core financial functions of the Canadian financial system—the investment houses, the banks, trust companies and insurance firms—but said that the provision of discount brokerage services was not a core function of the securities industry. The core function of the securities industry, the commission, said was underwriting. Full service broking with investment advice was supportive of new issue business, but discount broking, which was purely an order execution service, was not.

Under the law banks and other financial institutions would still be prevented from offering investment advice leaving that function to the investment houses. The securities industry, however, believes that by defining the sole core function of the securities industry as underwriting, the commission made its decision on an incorrect analysis of the issues.

The OSC has the authority to implement its decision, but ultimately an amendment to the Ontario Securities law will be needed. That will give the investment community another chance to press its views.

A difficult and painful balancing act

Bank of Canada

W. L. LUETKENS

A LONE demonstrator plods around the steel and glass building of the Bank of Canada in Ottawa. "Abolish interest rates" says his hopeful placard. Nobody takes much notice of his occasional visits any longer, but that does not mean that the pain caused by the surge of interest rates in the 1980s is forgotten: the worst may be over, but with Canadian prime rates at 11 per cent, rates are still high.

The man who had to take much of the public blame for the great squeeze is Mr Gerald Boney, Governor of the Bank of Canada. In the past few years there have been times when he, and he alone, appeared to be carrying on the fight against inflatien in Canada.

There has been only limited help from the federal Government of Mr Pierre Trudeau. Though it has clamped down on public sector wages and tightened fiscal policy, the budget has a pronounced structural deficit.

The actual deficit has been increased by the impact of recession on revenue and expenditure. In addition the diminished demand for energy (chiefly for natural gas to be exported to the U.S.) has undermined the budgets of some western provinces, especially Alberta. The result is that aggregate government deficits leapt from 1.2 per cent of GNP in 1981 to an estimated 6.5 per cent this year.

Mr Boney's task at the head of the central bank was not simplified by the vulnerability of the Canadian dollar. It has dropped from marginally above par to the U.S. dollar in 1975 to a range between 80 and 82 U.S. cents, having even plunged below the latter mark last year. Given Canada's great dependence upon imports, the inflationary implications are obvious.

Yet in spite of these auguries a measure of balance has been achieved. The exchange rate has looked reasonably well established where it is; interest rates have come down a long way from their peaks; the inflation rate is down to below 6 per cent this year from a peak of 12 per cent and may approach 5 per cent in 1984.

To Mr Boney that is simply not good enough. With the spare capacities in the economy he sees no reason why inflation and unemployment cannot be brought down together.

It follows from bis conviction that the inflation rate is still too high that Mr Boney has precious little opportunity to bring interest rates down further, unless rates in the U.S. fall. As for the prospect of that happening, he says "your guess is as good as mine."

The realities with which he has to operate are an inflation rate and wage settlements some two percentage points higher than in the U.S. and the danger of a run on the Canadian dollar if interest rates get too far out of line with those in the U.S.

Sharp tongues

Since exchange controls are generally deemed to be undesirable and in practice unenforceable the chances of "decoupling" from the U.S. are nil.

That has led some sharp tongues to speak of the Bank of Canada as the "13th district" of the U.S. Federal Reserve system. (The other 12 are in the U.S.) They argue that the bank has adopted a policy determined purely by the exchange rate with the U.S. dollar.

It is admitted in the Bank of Canada that the exchange rate, with the U.S. dollar is perhaps the most important price in the Canadian economy. But Mr Boney denies that it is the determinant of his policy. All the other indicators—such as inflation and unemployment—need to be taken into account. "If that happens to be consistent with a stable exchange rate—well, that's all right," he says.

The unkind remark about the "13th district" is explained by the abandonment of published monetary targets in Canada more than a year ago. It was announced to the world by Mr Boney in his Per Jacobsson lecture in Toronto on September 5 1982.

The wheel had come full circle for it was with Mr Boney as Governor that the Bank of Canada adopted monetary targeting in 1975 after monetary growth had got out of hand during the boom of 1972-74.

That shift was made because it had proved impossible to find a monetary aggregate that gave sufficiently speedy and accurate indications as to what was going on in the economy.

Initially M1 had been the aggregate to watch. It measures currency in circulation and demand deposits and lost its value when high interest rates caused bank clients to transfer money from current to interest-bearing accounts.

About two years ago when interest rates were especially high, Mr Boney was invited to a conference attended by Mr Trudeau and the Premiers of the 10 Canadian provinces. Some Premiers were anxious to stimulate the economy by cutting interest rates. The Governor persuaded them to think again.

The point that they could not answer was that their proposal would inevitably knock the Canadian dollar and thus automatically increase the cost to them of servicing heavy provincial debt denominated in U.S. and other foreign currency.

At that time the federal Government stood by Mr Boney. It still does so, though there have been times when there were tensions. What can happen in such cases is one of the most sensitive issues in any market-oriented economy. How much independence does the central bank really enjoy?

In Canada that issue was fought out in the 1960s during the so-called Money Muddle, when the then Governor clashed with the federal Government. The Government won and since 1966 the law sets out that the Government can make the Governor comply with its wishes. But it has to do so in writing and the letter would have to be published.

The Governor, one must suppose, would be in honour bound to resign. No government has dared to risk the public outery that might follow.

The ultimate authority of the democratically elected government is recognised also in the manner of appointing the Governor. He is elected for a seven-year period by the directors of the Bank of Canada who, in turn, are government appointees on three-year terms. Mr Boney, now 64, is half-way through his second seven-year period of office.

Gerald Boney, Governor of the Bank of Canada: no monetarist Scrooge

About the time of the Premiers' conference it became fashionable to decry Mr Boney as some sort of monetarist Scrooge. The image seems hardly convincing when you meet the soft-spoken Governor in the flesh. He likes to stress that the debate about monetary policies is one about means: that the end is to get down unemployment.

Nostalgia

He dwells with some nostalgia on the history of his family which, he says, always lived where life was hard: on South Uist in the Outer Hebrides, where there still are descendants of his great-grandfather; from the second half of the 19th century first in an outlying part of Ontario; and then in Saskatchewan.

The Governor was born there himself and is old eoough to have seen the province blighted by the great depression and the soil erosion which blew away the wheat fields in the 1930s.

Mr Boney began his working life in a bank but left to join the air force in the war. Once demobilised, he studied economics at Queen's University in Kingston, Ontario, going on to the economic research departmeot of the Bank of Canada in Ottawa.

He has remained at the bank ever since, a retiring public servant and team man. Doesn't the team need a captain? The Governor chuckles: "I guess I have to be captain."

Technocrats vs. bureaucrats

Quebec Caisse

W. L. LUETKENS

HOW ARE the mighty fallen. Ten years ago the Canadian financial world was all but exclusively dominated by English speakers. Now the largest institutional investor in the country with an infant international presence is an agency of the Quebec Government managing total assets approaching C$ 18bn (about £10bn), and run very firmly by francophone Quebecois.

English-speaking Canada has not always taken kindly to the emergence of this Caisse de depot et placement du Quebec, which manages the investments of the old age pension plan of the province; of the pension plan for Quebec civil servants; of the provincially-owned motor insurance; and some others.

Conflicts have arisen both with the Canadian business establishment and with the federal Government in Ottawa. The Caisse has been temporarily denied access to the Toronto stock exchange, easily the most important in Canada; it has been threatened with legislation in the federal Parliament at Ottawa, forbidding it to hold stakes of 10 per cent or more in certain Canadian companies thought to be especially important to Canadian federation.

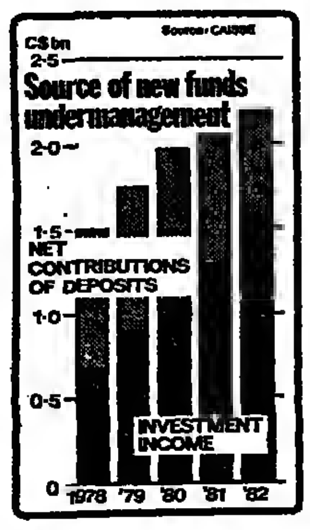
Intractable

In the background of these disputes you will find two of the most intractable matters in Canadian and North American affairs: English-French rivalry in Canada; and the friction engendered where government and business meet.

There is a tendency among English-speakers to regard the Caisse as the hidden erm of the Quebec Government, since 1976 in the hands of the separatist-tinged and social democratic Parti quebecois. M Jean Campeau, chairman and general manager of the Caisse will have none of that.

He stresses the independence and profit-mindedness of his organisation and implies rather that he is involved in a continuation of the age-old struggle of the Quebecois for power in their province.

As recently as 1971, M Campeau says, when the Quebec Government needed money, it had to leave its capital at Quebec City for Montreal and negotiate with the financiers there—in English. No more.



Montreal bankers and businessmen now have to know French (or at least pretend that they do). And M Campeau with his Caisse hae become a prominent provider of funds. At the end of 1982 his portfolio included C$8.2bn in bonds issued or guaranteed by the provincial Government.

M Campeau is one of a new breed of French Canadian technocrats and businessmen who have emerged over recent years while Quebec shook off the dust of the past and became a modern North American society. Others whom one might mention are M Paul Desmarais, head of Power Corporation, and M Michel Belanger, head of the National Bank of Canada.

The head of the Caisse differs from these men since he has come to the top via government. Though he began life in business, in 1976, when the Parti quebecois came to power, he joined M Jacques Parizeau's finance ministry in Quebec City. Four years later he was put in charge of the Caisse.

The Caisse was founded in 1965 when M Jean Lesage was premier of e Quebec in the throes of the so-called Silent Revolution which ended clerical domination of Quebec society and education. M Lesage had decided not to join with the rest of Canada which was at the time setting up e state old age pension scheme, the Canada Pension Plan.

He wanted a more imaginative approach to the management of contributors' money which, in the case of CPP, is invested in loans to the various provincial governments.

Quebec policy would be to invest also in equity. Moreover, the Caisse was to serve the economic development of the province as well as ensuring the security and profitability of the funds entrusted to it.

Jean Campeau, chairman and general manager of the Caisse: a prominent provider of funds

By the end of 1982 the portfolio included C$2.8bn in shares and equities with a small proportion in unquoted stocks, the contribution of the Caisse to medium-sized industry in Quebec. The maximum permitted equity contents of the portfolio is 30 per cent.

Share stakes

Holdings include a number of important share stakes which have caused disputes both with the Ontario Securities Commission, regulator of the Toronto stock exchange, and with the federal Government. When M Campeau began running up a holding of close on 10 per cent in Canadian Pacific, a company inseparable from much of Canadian history, the Trudeau Government moved.

It tabled e Bill designed to prevent the agencies of any one province together holding 10 per cent or more in any company engaged in interprovincial or international transport.

Many critics, not only in Quebec, saw that as an act of attainder directed against the Caisse, and the Government is having difficulties getting the legislation through Parliament. M Campeau has fought tooth and nail against the measure, arguing that it cuts sharply across shareholders' rights and would subject him to intolerable restraints. For instance, the Caisse holds more than 7 per cent in Alcan, the international aluminium coocern with its centre of gravity in Quebec. Since Alcan has a shipping affiliate, it would be covered by the provisions of the law.

M Campeau has sought board seats for the Caisse from both Alcan and Canadian Pacific and was turned down. He speaks scornfully of the "bureaucrats" in charge of widely-held companies who seek to perpetuate their power. He also claims that the Caisse seeks directorships not to make policy, but to safeguard its investment and profits. That argument hinges largely on the independence of the Caisse.

To demonstrate it, M Campeau points out that his appointment, by the Quebec Government, runs for 10 years and cannot be terminated prematurely except by two-thirds vote of the provincial legislature.

The row with the Ontario Securities Commission has two causes. Claiming privilege as a crown agent, the Caisse refused to file insider trading reports, but is now doing so voluntarily. In addition the OSC alleges that the Caisse failed to observe the takeover code when acquiring a 30 per cent stake in Domtar, a pulp and paper company. The matter is now before the courts. The Caisse won in the first instance, but will probably have to fight all the way to the supreme court.

International

Obstacles such as these may have accelerated the appearance of the Caisse as an international investor. Earlier this year it decided to invest a first instalment of C$100m in this manner. So far half of it has been provided in about equal amounts for management by Schroeder Wagg of London, Yamaichi Capital Management, of Japan, aod Putnam's of Boston.

A problem, perhaps graver than these various disputes, will face the Caisse when, as is expected to happen within about 10 years, demands on the Quebec Pension Plan exceed contributions. The Caisse might then be faced with the need to run down its investments unless the Government decided to increase contributions or cut benefits.

Would large holdings in publicly quoted companies not become a drag on the market under such circumstances? M Campeau concedes that they might. On the other hand someone with 9.9 per cent of Canadian Pacific to offer might equally hope for a premium from another large investor. There is a hint of mischief in the answer.

TUC may give support to EEC directive

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE KEY economic committee of the Trades Union Congress (TUC) is likely to support the forthcoming European Commission legislation on workers' consultation. This would be a sharp break with the TUC's past practice of opposition to the EEC.

The irony is compounded by the fact that the UK Government is strenuously opposed to the legislation – known as the Vredeling directive after its initiator – and is seeking to have it dropped from the Common Market agenda.

A document to be considered by the TUC's economic committee at its meeting tomorrow says that "voluntary exhortation" for increased consultation and information is futile, and that "the best way to ensure that best practice is followed is to systematise and codify it, which is precisely the point of the draft directive."

The document recommends that the TUC responds to the Government's request for consultation on both the Vredeling directive and the Fifth Directive oo workers' involvement, and that affiliated unions be asked to submit comments by next month.

In a further explicit endorsement of the EEC, the documeot reminds the Government that the implication in its consultative document on the draft directive – that Community legislation sbould only be aimed at improving a common market for goods and services – is not boroe out by the Treaty of Rome.

The TUC document says that "the preamble to the Treaty of Rome affirmed as a central objective the constant improvement of living and working conditions … What the EEC terms 'social' action and improvement is both an objective of the Treaty and a legitimate object of legislation in itself."

The Fifth Directive, which proposes board level representation for workers, raises tricky problems for the TUC, which has in the past insisted on a "single channel" representation on the board through trade unions rather than direct elections from the workforce as proposed in the directive.

The document notes that the weaknesses in the directive reflect "a naive view of the nature of representative democracy in collectively representative societies."

The document recommends that the main thrust of the TUC campaigning should therefore be on the Vredeling directive

The Confederation of British Industry (CBI), the employers' body, has already made clear it opposes the Vredeling proposals. CBI leaders have argued the case for greater involvement by workers through voluntary action rather than legislation.

The CB1 published a survey yesterday on employee consultation. It said that companies of all sizes were developing systems to involve and consult their employees in a wide variety of ways.

Mr Bryan Rigby, the CBI's deputy director general, said yesterday "that businessmen are making enormous strides on this from within their own companies. The advances they bave made are far greater than many of them thought possible a few years ago."

BL 'may reach 20% of new car market'

By Kenneth Gooding, Motor Industry Correspondent

BL, the state-owned motor company, should take 20 per cent of the new car market in 1984 – a rise of 1.5 percentage points on this year's level – according to the Autotrend automotive forecasting company.

The reason is that next spring BL will launch its new saloon car, code-named LM11. The author of the study, Mr James McArdle, points out that the product group which the LM11 will join is a critically important one because medium-sized cars account for about one third of total UK new car sales.

The newcomer will give BL a model with which to compete more effectively against the Ford Sierra and the Vauxhall Cavalier and "will re-establisb BL in the important fleet market."

The introduction of LM11 will remove any chance of UK market conditions becoming less competitive next year, the study suggests.

Mr McArdle maintains: "ft is probable that market share considerations will continue to predominate so long as ambitions in this area, especially those of BL and GM (General Motors, the Vauxhall-Opel group) remain unsatisfied.

The study forecasts that Ford will bold on to a market share of just over 30 per cent in 1984 but that GM's progress will slow considerably, so that it will move up only slightly from 14.5 to about 14.9 per cent. However, "this figure could turn out to be pessimistic if the Vauxhall Nova is promoted aggressively."

"Autotrend: the UK car market and industry 1983–84," £95 from John Mortin Publishing, 24, Old Bond St. London W1X 3DA.

Drugs industry faces foreign investment drain

BY CARLA RAPOPORT

THE UK Government's plans to curb profitability and promotional expenditure by the drug industry is *likely to have a wide range of harsh* effects on both the foreign-owned and domestic pharmaceutical companies operating in Britain.

Mr Kenneth Clarke, Health Minister, announced last week that the Government intended to reduce the amount the Government spent on drugs by as much as £100m a year.

This will be achieved by reducing drug companies' return on capital employed by percentage points to an average of 21 per cent, and cutting back on the amount that companies spend on promotional expenditure.

As the accompanying chart shows, the top 10 drug companies in Britain as ranked by sales, include six foreign companies, five of which are American.

Although these companies have yet to assess thoroughly the effects of the Government's cuts, many indicated last week that the moves were likely to result in a noticeable shift in investment from Britain to other more receptive countries.

"One criterion (foc future investment) *has to be the friendliness of* the natives," said an executive at Smith Kline's UK subsidiary last week, "and we (in Britain) have just lost a lot of points." He and others reckon that plans for new manufacturing facilities are among those *most likely to be shelved.*

Drug companies are estimated to have earned between £200m and £250m in 1982 on sales of drugs to the National Health Service of about £1.4bn. Last July, the industry agreed to a 2.5 per cent reduction in drug prices and a price freeze through to next April.

The Government's moves are in large part the result of a report last summer from the Public Accounts Committee. It found that the profitability of the drug industry "had been creeping up," while profit margins in industry generally had been declining. It strongly recommended a reduction in the average return on capital allowed for non-competitive government contracts.

Companies maintain that the extended freeze on drug prices now in effect will make Britain a less at*tractive base for exports.* British drug prices have long been used as a hase price for exports, but the new freeze will make this arrangement less attractive, particularly for exports to the Middle East.

"We bave to ask ourselves, do we want to source from the UK? Do we want to manufacture here? Maybe the answer is going to be no," said the director of a UK division of a large international drug company.

"More companies are going for global manufacturing, and until now, the UK had been preferred for new investmeots," said Mr David Tomlinsoo of Lederle UK, a division of American Cyanamid.

The Government will be informing pharmaceutical companies within the next few days of their new target rates of profitability. As a result, final decisions on pending investment plans are expected to be made within the next few weeks.

Another group which will suffer from the Government's moves will be Britain's medical journals. "Some will probably fold and all will be severely affected," predicted Mr *Jerry Cowhig, editorial director* of Medical Publications, a division of the Haymarket group.

There are about 20 medical journals in Britain, with advertising revenue estimated at £30m a year. This figure is likely to be cut by about 25 per cent as a result of the new restrictions on promotional expenditure.

Those medical magazines with the highest readership, which thus appear less likely to fold as a result of the cuts, include Pulse, published by Morgan Grampian, General Practitioner and Med Ecooomics, both published by Haymarket, and The British Medical Journal.

HOW GOVERNMENT CUTS IN THE HEALTH SERVICE DRUGS BILL WILL AFFECT DRUG COMPANIES

Company	UK sales/ year (£m)	Estimated reduction in UK trading profit (£m)	1982–83 world pre-tax profit (£m)
1 Glaxo (UK)	100	11	192
2 Merck (U.S.)	75	8	398
3 Ciba-Geigy (Sw)	71	6	N.A.
4 Beecham (UK)	67	7	237
5 Wellcome (UK)	67	6	45
6 Imperial Chemical Industries (UK)	62.3	6	259
7 Smith Kline (U.S.)	44	6	445
6 Sterling (U.S.)	40	4	167
9 Eli Lilly (U.S.)	40	4	456
10 Pfizer (U.S.)	40	4	363

Source: James Capel — *N.A., not available*

North Sea taxation revenues might peak in 1986, report says

BY IAN HARGREAVES

TAX REVENUES from North Sea *oil will peak* at £11.5bn in 1986 and fall steeply thereafter, assuming that oil prices remain stable, according to a study* by the Institute for Fiscal Studies (IFS).

But should oil prices fall by 6 per cent a year the tax take would peak *this year* at £8.8bn *and drop* to a mere £850m in real terms by 1995.

Even the hurst of exploration and development activity stimulated by fiscal concessions in the last budget would not have much impact on that trend, the report said.

The IFS, which has long been a campaigner for a simpler, profits-based regime of North Sea taxation, argues that the moment has now been lost for a radical overhaul of the system. With 13 significant changes in tax rules in eight years, "the tax system has already changed too many times and transition costs are often severe."

The system could be overhauled in respect of new fields. The report suggested a simplified profit-based mechanism, tiered to tax the most profitable fields most heavily.

The rate of taxation would be determined by a measure of profit calculated as the relationship between cumulative discounted profit over a period of years against cumulative discounted costs for the same period.

This new tax would replace petroleum revenue tax (PRT) and corporation tax, but companies would be allowed to preserve the value of tax losses by carrying them forward at a fixed real rate of interest.

The study argues that the mixture of profit-based taxation (such as PRT), revenue-based taxation (such as royalties) and corporate-based taxation (sucb as corporation tax) has served to produce wide discrepancies in the tax positioo of different fields.

Some of the least profitable fields have been taxed more heavily than some of the most profitable fields because their operators are not in a position to derive maximum benefit from the corporation *tax* mechanism.

The report welcomed the abolition of royalties for new fields in this year's budget, but said there were still serious distortions in the system.

**North Sea oil taxation. M.P. Devereux and C.N. Morris. IFS, 1-2 Castle Lane, London SW1E 6DR, £6.*

Esso forecasts fall in demand for oil

FINANCIAL TIMES REPORTER

DEMAND for oil in the UK is expected to fall by between 5 and 15 per cent by the end of the century, according to updated forecasts from Esso UK. But the company predicts that the country will cease to be self-sufficient by the end of the 1980s.

Esso foresees total energy demand growing in the period at 0.7 per cent a year, assuming average economic growth of 2 per cent a year. It expects coal, natural gas and nuclear power to be the main beneficiaries.

Oil demand is running at 75m tonnes a year but will continue to fall sharply in the fuel oil market. Esso also expects petrol sales to fall, because of greater fuel efficiency and diesel-engined cars.

Only in other transport activities, such as aviatioo and road haulage, and in certain feedstocks does the company expect use of oil to increase.

Oil output from the North Sea and other UK oil-producing areas is projected to peak in 1985–86 at just under 2.5m barrels a day and to fall to between 500,000b/d and 1.7m b/d by the end of the century, depending upon the success in exploration and development in that period.

The report says that, *in spite of* tax and royalty concessions for North Sea development in the last budget, considerable uncertainty surrounds future production levels.

More UK news on Page 8

Esso expects demand for natural gas to rise from 42m tonnes of oil, equivalent (t.o.e.) to 51m in the year 2000, but says that British Gas will have to offer higher prices if it is to stimulate sufficient UK production. Even with extra UK supplies, additional foreign supplies will be needed.

Output in 1984 predicted to grow by 3.7%

By Philip Stephens

BRITAIN'S *economic recovery* will maintain its momentum next year with output growing by 3.7 per cent and inflatioo down to 3.3 per ceot, the Liverpool University Research Group forecast yesterday.

The group, beaded by Professor Patrick Minford, *has been consistently* among the most optimistic of private forecasters and its latest quarterly ecooomic bulletin predicts a better 1984 result than that foreseen by the Treasury.

The bulletin also forecasts a relatively bealthy £2bn current account surplus oext year and some easing of the unemployment total to 2.7m.

Professor Minford warns, however, that any real increase in public spending over the next few year – and the parallel threat to interest rates – could jeopardise a recovery which he sees running well into the late 1980s.

This Government must take a grip on public spending or it will fail in its economic task for this second term – namely to regenerate jobs and growths, be says.

The group says the reward for holding public spending to zero growth in real terms would be near price stability by 1986.

Prof Minford predicts a steady fall in unemployment over the rest of the 1980s due largely to productivity growth.

Seamen accept 5.3%

BY DAVID BRINDLE

MERCHANT SEAMEN bave voted by a narrow majority to accept a pay offer worth 5.3 per cent on average earnings.

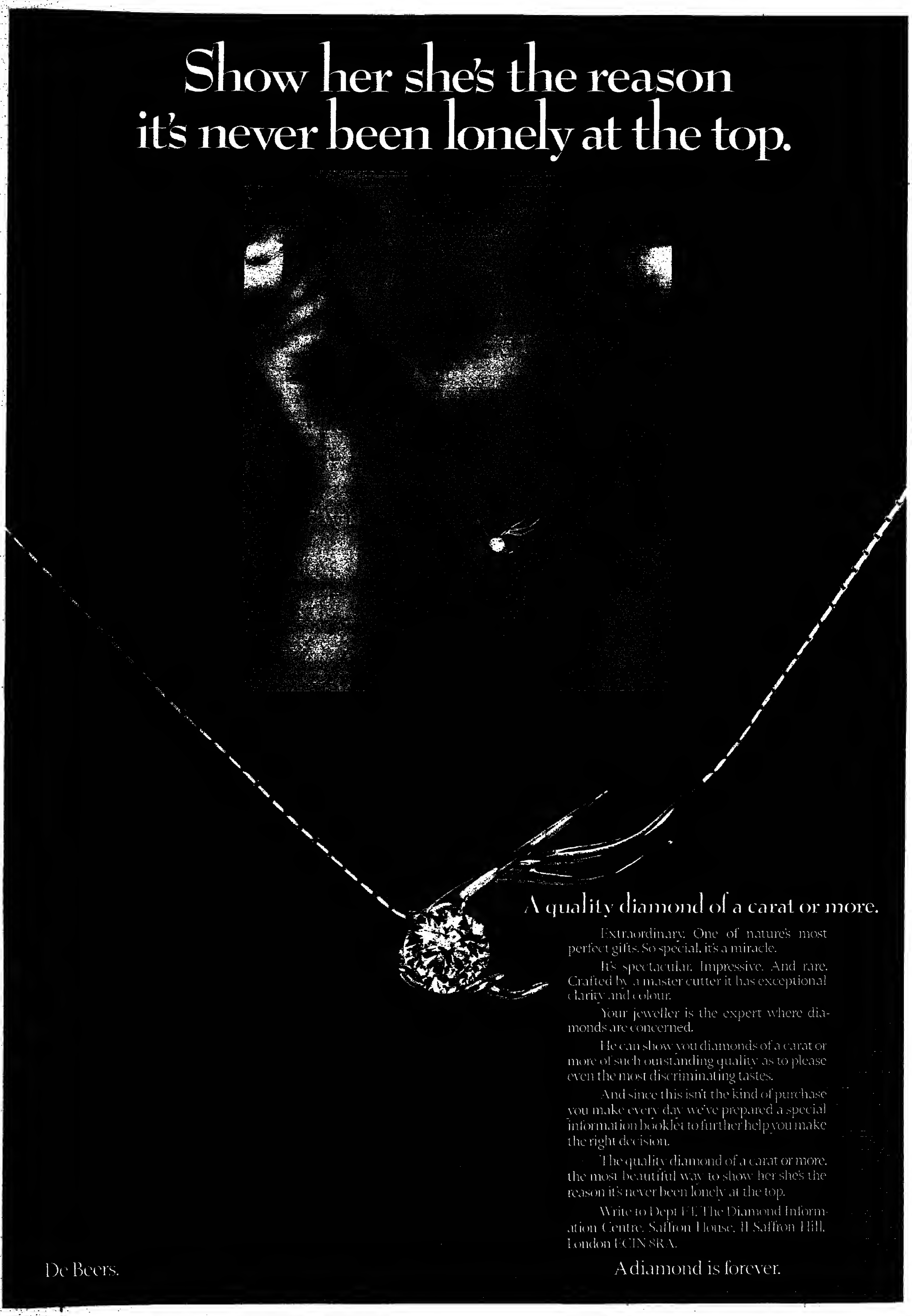
Leaders of the National Union of Seamen (NUS) had urged rejection of the offer and bad recommended selective industrial action against the General Council of British Shipping.

The result of the pay ballot, announced yesterday, was 3,586 for the offer and 3,361 against. The turnout was less than a third of 24,000 members eligible to vote.

Mr Jim Slater, NUS general secretary, said: "The close finish reflects the dilemma seamen faced in choosing between an unsatisfactory pay offer and taking industrial action at a time when the British merchant fleet is losing two ships a week."

The pay deal, which follows an NUS claim for a "substantial" increase, will take the seaman's basic wage up 5.1 per cent to £82, and will raise the average earnings of a foreign-going rating while at sea by 5.3 per cent to £158.54. The new rates will be paid from January 2.

Earlier this month, unions representing merchant navy officers and cadets accepted a pay offer of 5 per cent on earnings, coupled with an early retirement programme costed at an additional 0.4 per cent.



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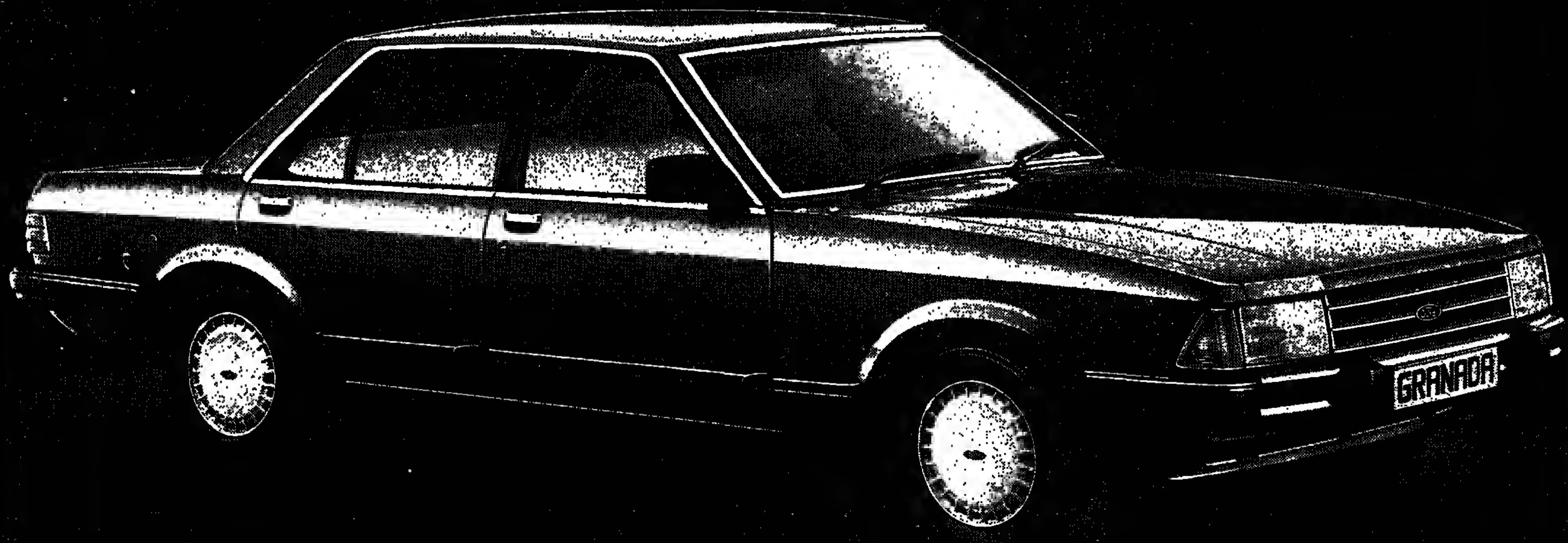

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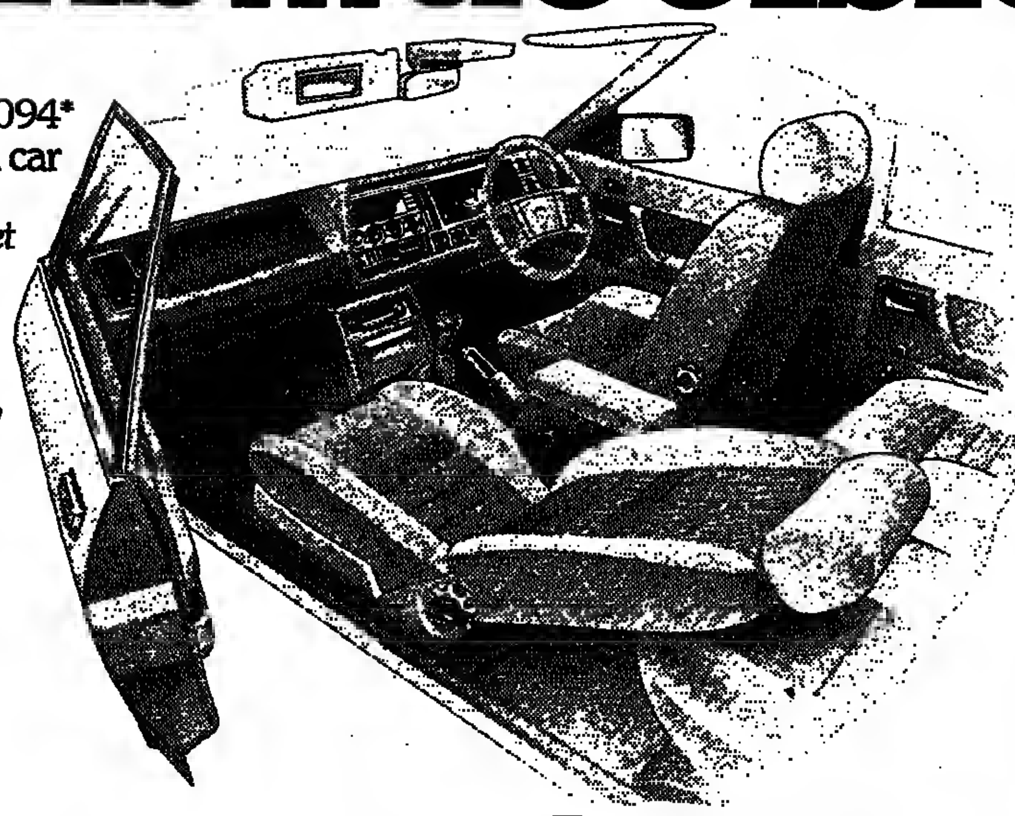
*Maximum prices excluding delivery and number plates. Granada L illustrated is a 2.0 L saloon with optional black paint at extra cost. Granada LX illustrated is a 2.0 LX saloon.



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Max Beckmann in Frankfurt

William Packer reappraises a modern master

Portrait of Valentine Tessier, by Max Beckmann

With every painting of his that we see, whether new to us, or familiar from museum, exhibition and reproduction, it becomes ever clearer that Max Beckmann was a very great nrtist indeed, and certainly one of the very greatest to come out of the modern movement and the twentieth century.

In the face of the work it is hard to see how there can ever have been much doubt as to his stature; and, to be fair, it is true that within the narrower context of German painting before the War, he was always acknowledged critically as one nf the more significant of the artists then at work. But the problem, then as now, haa always been nne of categorisation, or rather the too ready acceptance of a given category, order or definition. In Hitler's Germany, of course, the immediate political pressures can only bave confirmed such easy judgment, relnforced as it was by an all too forgivable special pleading.

Writing in the Sunday Times in July 1938, the critic, Eric Newton, in making his own disclaimer, makes the very point: "It is not altogether a disinterested love of art that has prompted the organisers to assemble the exhibition of 20th Century German Art at the New Burlington Galleries. The paintings and sculptures shown . . . are by the same artists whose works are now being exhibited in Berlin under the official description 'Degenerate' . . . In the Germany of 1928 thia exhibition would have represented tbe most vital side of the modern German spirit; in 1938 it is 'degenerate.' If official values can change so quickly and so capriciously it is better to ignore them . . . The visitor . . . will find himself in a very different atmosphere from any exhibition of modern French art . . . the whole-hearted Expressionists, with whom romanticism, violent and even hysterical, becomes an end in itself, have few counterparts in non-German art . . . Perhaps the most typical of them is Beckmann . . ."

With all due deference to a sensitive and distinguished critic, what strikes us now, some 45 years on, almost as a blow but one most willingly received between the eyes, is that Beckmann, far from being contained by German Art, holds his place on the larger European stage, side by side most particularly with those masters of modern French painting and the School of Paris: Matisse, Leger, and Picasso most of all.

Which is not at all to say that Beckmann was not an expressionist: rather that expressionism had far wider a scope than we might once have supposed. Before the First World War he had shown himself to be an artist of remarkable and convincing precocity, but one cast in a somewhat general and unspecific mould, characterised above all by a studied and sincere eclecticism, looking here to Munch and Nolde, and northern, symbolic expressionisem, here to the Secession, Berlin in correspondence with Vienna, here to Courbet and a social realism, and here again to Paris, to Manet and Cézanne and post-impressionism. He came back from the war in 1915, invalided out with a nervous breakdown—one of the earliest drawings in this Frankfurt show is a haunted fragment of a self-portrait—at the age of 31, and at last his own man.

On his way home to Berlin he stopped at Frankfurt overnight to see a friend, and there he stayed, as it turned out, for nearly 18 years, until in fact he was dismissed from his teaching post at the Städel-Schule by the Nazi magistrates in 1933. Had he been killed in the war, he would still be remembered, but only as a promising acolyte to his masters, when he left Frankfurt (first for Berlin, then wartime exile in Amsterdam, and at last self-imposed exile in America until his death in 1950), what are perhaps his greatest works, the extraordinary and magnificent sequence of symbolic triptychs—all bnt one were shown at Whitechapel two years ago—were still to be done. But it was in Frankfurt that the Beckmann we now know and celebrate emerged, declared himself and came to a full maturity; and the claims we now make for bim would be no less bad 1933 been the end.

A full retrospective is planned next year to tour in Germany, a wonderful prospect; but Frankfurt's own celebration, already open at the Städel and timed to close on February 12, the exact centenary of Beckmann's birth, may well prove to be the more readily assimilable, and certainly it gains great force by its concentration upon the work of those years the artist spent ln the city. Not overlarge, the show is extremely well chosen, the quality of the individual works remarkably high.

From the start the full range of his work is represented—the still lifes, portraits, town and landscapes, but running through it all are the two distinct strains that perhaps characterise him most of all: on the one hand, the long sequence of self-portraits—it began, indeed, long before the war, and there can be few artists who bave produced so strong a body of work of this special kind, which puts btm at once in the bighest company; on the other, the strange, highly-charged symbolical tableaux, already well-established before 1920, that presage the later triptychs.

The grim yet beautiful Die Nacht, with its imagery of torture and humiliation, as it were a profane martyrdom, is almost too direct and unmistakeable; but the more ambiguously, quietly desperate Family Interlor soon follows, in 1920, and so within a year or two come the clowns and the tumblers, the musicians and dancers and masked revellers, with their strange armoury of symbolic attributes; fish, dolls, candles, trumpets, mandolins. The work is powerfully graphic, now as always, in its statement, and in these earlier pieces, with their suppressed colour that amounts at timea almost to mere tinting, the effect is to emphasise not only the drawing but the strong tonal modelling across and through the form.

Around 1926, however, the work suddenly changes, or rather it develops dramatically, the tonality becoming more extreme in its range from dark to light, the colours brighter, hotter, sharper, the image simpler even to the point of deliberate crudity, the paint laid on with an assertive and direct simplicity, the surface less finely modulated. And black, Beckmann black, now appears increasingly as the unifying, simplifying visual agent, flat area and stark silhouette, a practice that puts him as close to Manet as tn Picasso and Matisse.

But close though be is in formal terms to his great contemporaries—and some of the small views from a window across canal or beach would seem to be almost conscious genuflection to Matisse, one or two still lifes to Picasso—be is always at a considerable distance in spirit, his figures in portrait and tahleau alike, such sombre and beavy presences, with their arcane and disquieting impedimenta, alwaya more metaphysical than surreal. The effect of the later formal development towards directness and simplicity is not to diminisb at all the imaginative force of his images, but rather to add to them a physical sense of their actual presence, as it were almost to be felt by the eye, that is lnescapable.

He gave a lecture in London in that July of 1938: "Painting is a difficult job," he said, "and demands every ounce of one's being, and as a result I have no donbt been blind to many things in the practical and political world . . . (my studio in Amsterdam) fills and refills with figures of former and latter days, and the sea invades my thoughts from near and far, *through storm and sunshine*. It is then that the forms crystallise into objects that make sense to me, in the great emptiness and enigma of space, to which I give the name of God . . . The embodiment of height, breadth and depth ln a flat surface is to me a most magical experience, an intimation of that fourth dimension to which my whole soul aspires . . ."

Arts sponsorship gets practical

Derek Jacobi and Alice Krige in The Tempest — available at cut prices thanks to Royal Insurance.

Antony Thorncroft reports on the changing attitude of business to sponsoring the arts.

Recently at the Savoy the arts establishment gathered for the annual prize giving to companiea whose contribution to arts sponsorship had won them awards from the Association for Business Sponsorship of the Arts.

It is a night in which sponsorship rules. Not only is the occasion sponsored by the Daily Telegraph, but tbe prizes, a card relief print by Linda Lowe, were sponsored by Herring Son and Daw, the chartered surveyors, and this year there was a £1,000 award, donated by IBM, for the hest nominator, won by Pioneer Theatres of Stratford East who suggested that the TCB Division of Alberto Culver deserved recognition for their sponsorship of the play *Welcome Home Jacko*, which ABSA duly acknowledged.

There was some justification for all this mutual back slapping. Despite the recesston arta sponsorship is growing in the UK. A re-adjustment of the figures this year bas raised the total given by business to the arts to around £14m. On top of this another £10m or so is spent by companiea on exploiting the event they are sponsoring. While it is hard to persuade some large companies of the advantages in aiding the arts in a recession there are continually many small, local, firms attracted by the idea.

The arts sponsorship industry has henefited by the appointment of Mr Lnke Rittner, formerly the chief executive of ABSA, to be secretary general of the Arts Council. He will ensure that sponsorship is no longer a dirty word in Council circles and there has been talk of the appointment of a sponsorahip officer to the organisation. With the Government persistently entreating business to ald the arts (seeking to spread the burden of support) the climate for sponsorship bas never been better.

The new bead of ABSA, Mr Colin Tweedy, is concentrating on two key areas in his attempts to boost botb membership — there are currently 127 members of ABSA — and sponsorship. He is trying to persuade the media, and in particular the BBC and the ITV companies, to give recognition to companies who sponsor broadcast events, and he ls pressing the Government to give more tax advantages to sponsors.

In the first task be gets vague goodwill at the top levels but a reluctance, based mainly on ignorance, on the part of individual producers to give companies the acknowledgement they crave. It is a small matter but those executives pushing sponsorship on their directors need some tangible proof of a return, like press cuttings or TV coverage, to clinch their case.

In tackling the Government the ABSA acknowledges that changes ln taxation to bring the UK ln line with the generons U.S. provisions on such donations are unlikely, but Tweedy seea a chance of progress ln getting money given to arts organisations for capital projects made allowable against tax, and also works of art, by living artists at least, bought for furnishing office walls; at the moment furniture is an allowable cost but not pictures.

And all the time there is the mammoth task of breaking down the barriers between business and the arts. Increasingly arts sponsorship is being investigated aa part of the marketing budget rather than as a charitable bequest and this more hard-beaded approach is a good thing. But even so there is little research into the impact of sponsorship and a great reluctance to get involved with anything experimental or risky. It was an achievement of ABSA to get representatives of companiea like IBM, American Express, Gulf Oil, BP and Olivetti along to a gala performance of Dance Umbrella last month to introduce them to the very under-funded world of contemporary dance.

The ABSA awards reflected a trend — a swing away from the very big sponsorship of an expensive event, like an opera at Covent Garden, towards smaller, more local, committments. Among the ABSA winners were York Avenue Garage which sponsored paintings by six local northern artists. It held an exhibition of their work in its car showroom and gave the paintings to customers who bougbt cars during the run of the show. The Langdale Partnership, a time sharing operation ln Cumbria, has supported its local Theatre ln the Forest. This has enabled the theatre to mount better productions and also ensured that clients of the time share operation have extra entertainment.

Another trend is an even greater concentration on youth. This is an area of arts sponsorship where doing good and reaching the consumers of the future marcb band in hand. As well as the Texaco commitment to the National Youth Theatre ABSA also acknowledged TCB, whose support for Pioneer Theatre at Stratford East enabled it to offer concessionary rates for its production of *Welcome home Jacko* to the young and the unemployed. Pork Farms also won a prize for sponsoring Taking Steps, a street theatre company which took its production of *Simple Simon* around the shopping centres of the Midlands. More recently Xerox has invested £60,000 in the winter tour of the youthful Chamber Orchestra of Europe and Royal Insurance the same sum in a seoson of Proms at the RSC in the spring which enables young people to see *The Tempest*, etc, from the front atalls.

Local initiatives, a concentration on youth—and a greater desire to fit arts sponsorship into general marketing objectives. Few companies expect to make money from sponsoring an arts event, although there is no reason why investing ln a play at the local rep may not lead to Broadway (it bappened with *84, Charing Cross Road* recently), but the cost can be kept low and the results can be very encouraging. Agfa-Gavaert attracted more than 70,000 visitors to the Light Dimensions Holograpby Exhibition lt sponsored in Bath this summer, which brought in a goodly sum, and Amoco attributes the fact that its petrol sales in Wales are holding up well at least in part to the goodwill it has attracted by its commitment to the Welsh National Opera.

The drawing in of the marketing men into the arts has also widened the scope of sponsorship—into jazz and rock concerts. Light classical music is another underdeveloped area: Whitbread has done well in helping the RPO to mount *Hooked on Classics* (which filled Watford Football Ground among other arenas), and is persevering with the venture.

But, for most sponsors the attraction of the arts is the opportunity it provides to reach a select target audience of the more wealthy and in*fluential*. Entertainment in elegant surroundings, be it Glyndebourne or Covent Garden, is still the most eloquent form of sponsorship. It need not be costly. Herring Son & Daw has joined with Country Life (joint sponsorships are growing) in mounting 12 concerts in houses owned by the National Trust in 1984. The total cost is £30,000 and with a spread across the country the possibilities for entertaining useful contacts are many.

No company spends more than £300,000 a year on arts sponsorship and the big spenders are those who started the business — the major oil, bank and tobacco companies. But they are continually refining their commitment. Imperial Tobacco, for example, now puts all its money through John Player and concentrates on advertising and alding the subscription scbemea of four major opera companies, a very practical form of sponsorship. The National Westminster is committing most of its aid to the English National Opera for a new production of *The Ring*. In contrast Marks & Spencer spends almost as much as these two but more stealthily.

There are as many different reasons for sponsoring tbe arts, aa many approaches and results as there are arts events. No one believes that business can replace, or even match, Government subsidy in this field but increasingly companies are becoming more imaginative, more practical, and more regional in their assiatance.

Art history prize awarded

The Mitchell Prize for the History of Art 1983 ($10,000), haa been awarder to Professor Lorenz Eitner for *Géricoult: His Life and Work* published by Orbis in April 1983.

The Courtauld and Somerset House

Sarah Jane Checkland

The Somerset House Bill is slowly passing through Parliament. Assuming tbat it goes through, tbe Courtauld Institute will move ont of Bloomsbury and lnto Chamber's fine neo-classical building on the Strand.

Samuel Courtauld, the industrialist and collector, founded the Courtauld ln 1932. It currently has two homes: Portman Square for the teachlng college and Woburn Square for the paintings. "It bas always been a long-term plan that the Institute would be somewhere else" says Professor Michael Kitson, the deputy director at Portman Square.

The Courtauld has to take on the daunting job of converting Somerset Honse. It was the first purpose built Government building, begun by Chambers in 1777 when the Palace of Westminster hecame too small. The Strand block, the original office premises, is to be adapted to teaching accommodation, libraries, a bookstall and a cafe. The so called Fine Rooma, at the centre of the block, will be used to display the Courtauld, Witt and Lee collections of paintings.

Denis Farr, the director of the picture collection, is frank about the suitability of the rooms for displaying paintings. "Some people bave bad reservations in the past," he said. "The thing is they are not suitable as they atand. A lot bas to be put right."

With the new space be will be able to bang many more paintings than at present. "We haven't made a final disposition yet. We wonldn't want to hang them as they did at the RA in 1880—the Great Room is a large space, and our scbeme is to put in elegantly designed screens."

The teaching part of the premises, at present a labyrinth of twisting corridors, will not be so easily reaolved. But, as Farr aays, pointing out Chambers's clever provision of light wells into the basement: "They are not like some cramped dungeon . . . they are really rather grand spaces."

Music from Montepulciano

Max Loppert

From the Montepulciano Festival, where Jan Latham-Koenig is musical director, the Koenig Ensemble brought to the Purcell Room on Sunday a concert of small-ensemble works by six composers, three English and three Italian, all associated in some way with the festival. Whether from the fresh, lively effect of the whole should be inferred a general sanity of musical viewpoint there is difficult to say; one would like to believe so.

The three English composers are familiar figures in other local contexts. Of two of them —Robert Saxton and Jonathan Lloyd—this was a relatively unremarkable showing. Saxton's *Piccoln musicn per Luigi Dallapircoln* presenis a rather pedestrian aound world; while Lloyd, noted in previoua works for distinctive wit, bad in *Don't Menlion the Wnr*, an essay in self-proclaimed musical humour, coarsened his usual lightness of touch (trombone jokes wear thin sooner than he imagines). George Benjamin's Octet (1978), the only piece not given bere its first British performance, is a beautifully collated, not very original set of all the influences on the young composer.

The unusual feature of the concert was its introduction to three interesting Italians; as the programme contained not a shred of biographical information about them, they must remain names only. But Giampolo Testoni's *Serennta* for flute and piano proved to be a most dellcate sample of decorative tracery, and Marco Tuttoni's *Canzonettn sull'aria* an elegant collection of figuration from varioua past periods (though the intended point of the *Figaro* title falled to emerge). Most striking were the *Songs of TUI* on poems by Alhrecht Betz strongly in Brechtian vein, hy Luca Lombardi, for soprano and six players. The combinationa of Schoenbergian and Berlin-cabaret allusions may he well tried, but there was in the six songs a succinctness of dramatic gesture that removed from the exerciae the threat of mere pastiche.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

December 9–15

WEST GERMANY

Berlin, Deutsche Oper: this week's highlight is Aida with Eva Randova, Julia Varady and Martti Talvela in the main roles. The Magic Flute is conducted by Heinrich Hollreiser; Hänsel und Gretel is a Philippe Sanjust production. Salome has Ruth Hesse and Ingvar Wixell in the main roles.

Hamburg, Staatsoper: Don Carlos, sung in Italian, stars Margaret Price, Agnes Baltsa, José Carreras and Samuel Ramey. La Bohéme has Ilona Tokody and José Carreras in the main roles. Premiering this month are Arnold Schonberg's three small Operas, 'Ein Überlebender aus Warschau / Die Glückliche Hand / Die Jakobsleiter,' shown for the first time in Hamburg. They are produced by Peter Mussbach and conducted by Christoph von Dohnanyi.

Frankfurt, Opera: The current revival of Der Freischütz has Walter Raffeiner in the title role; Manon Lescaut, Nelly Miricioiu; Aida, Rosalind Plowright. Der Wildschütz, conducted by Volkmar Olbrich, brings together Ilse Gramatzki and John Stewart, making his debut in the part of Baron Kronthal.

Stuttgart, Würtembergisches Staatsoper: there was much acclaim for Karl Orf's rarely played 'Die Kluge,' which is a reproduction this month. Der Troubadour has Eva Randova as Azucena. There are further performances of Zar und Zimmermann and Hänsel und Gretel.

Munich, Bayerische Staatsoper: The week starts with Donizetti's Don Pasquale, sung in Italian. Hänsel und Gretel brings together Helena Jungwirth and Gudrun Wewezow. Carmen, sung in French, has Stefania Toczyska in the title role.

LONDON

Royal Opera, Covent Garden: the only opera this week is the mounting for Joan Sutherland of Massenet's Esclarmonde – a lavish piece of second-rate Massenet here undermined still further by absurdly gaudy sets, semaphore acting, uncertain singing (even in the title role), and the inadequate conducting of Richard Bonynge.

English National Opera, Coliseum: ENO opera is dominated by three titular heroines – Britten's Lucretia (an unexpectedly successful production in this large theatre of a chamber opera, superbly conducted by Steuart Bedford and for the most part very well sung), Gouno d's Mireille (with Valerie Masterson) and Puccini's Butterfly (with Eidwenn Harrhy).

Royal Opera House, Covent Garden: a triple bill on Monday shows two recent acquisitions to the ballet repertory with MacMillan's serene Requiem. Swan Lake is on view on Wednesday.

PARIS

Saint François D'Assise: Oliver Messiaën's new opera conducted by Ozawa/Negano, produced by Sandro Sequi, costumes and decor by Guseppe Crisolini-Malatesta with Christiane Eda-Pierre as The Angel and Jose van Dam as Saint François. Paris Opera (266 5022).

Raymonda: a new production with Rudolf Nureyev's choreography reinterpreting Marius Petipa's to Glazunov's music. Decor and costumes by Nicholas Georgiadis, conducted by Michel Sasson/Michel Queval. Paris Opera (266 5022).

Contemporary Ballet evenings danced by the Paris Opera Ballet Corps and its choreography research group at the Opèra Comique-Salle Favart (296 0611).

WASHINGTON

American Ballet Theatre (Opera House): Billy the Kid, Estuary and Twyla Tharp's new ballet are part of this week's mixed repertory in a new season that ends on New Year's-Eve. Kennedy Center (254 3770).

NEW YORK

Metropolitan Opera (Opera House): The first seasonal performance of Fidelio highlights the 11th week of the centenary season. Klaus Tennstedt makes his Met debut conducting, as does soprano Eva Marton as Leonore. Roberta Peters sings the role of Marelline and Jon Vickers is Florestan. Other performances of the week include Tristan and Isolde, conducted by James Levine, with Hildegard Behrens as Isolde and Richard Cassilly as Tristan, along with Dialogue of the Carmelites, sung in English, conducted by Manuel Rosenthal with Frederica von Stade as Blanche and Johanna Meier as Madame Lidoine as well as Samaritani's new production of Ernani. Lincoln Center (580 9830).

Theatre in Brussels and Zurich

Ossia Trilling

Claude Etienne's sumptuous photographic record of the Théâtre de Rideau, which he founded 40 years ago and still runs, was capped by the world premiere of Paul Willems's latest fanciful drama, *"She Said Sleeping Instead of Dying."*

It was given a provocatively eye-catching production by Henri Ruder and Etienne, only a shade less effective than Pierre Laroche's version of Apollinaire's *"L'enchanteur pourrissant,"* which was much admired at one of Sir Peter Daubeny's World Theatre Seasons ten years ago.

Raymond Renard's insubstantial set and Marc Hérout's taped incidental music provide an apt background to the study, presented both in flashback and on a changing time-scale, of the child Hélée, abandoned by parents and friends and left to her own devices and a Larousse dictionary (hence the title) to find out the meaning of words and of life in general. Confined to a Flanders country-house far off the beaten track, Hélée, played with subtle fervour by Greek-born Ioanna Gkizas, has only the memory of a father, called up to the war, and a mother, seeking solace in the arms of others, to go by.

We see her grappling with her problems as these two materialise in her adolescent mind on stage. The arrival of a fully-armed fighting soldier (Bernard Cogniaux) is no dream, however. With no heart for combat, be helps to teach the dictionary-hungry child the meaning of the word love as tragedy strikes him, too – a touching parable for today.

In Zurich, Friedrich Dürrenmatt's latest dramatic frolic *"Achterloo"* despite critical thumbs down, has become a smash-hit. In a fanciful setting of the author's fertile imagination "somewhere between Waterloo" and an unnamed Swiss village, a rag-bag of historical characters helps to make his point that "the world is a madhouse."

Sandwiched between three different Bonapartes and three identical Karl Marxes, Dürrenmatt brings on the motley crew that includes a time-serving Benjamin Franklin, a heroic Jan Hus (or is it Lech Walesa?) a doddering Robespierre, a nubile Marion and an obsequious Woyzeck – both straight out of Büchner – and, the hit of the evening, a camp Richelieu magisterially impersonated by Maria Becker in a rasping baritone.

That Fritz Schediwy's Napoleon Bonaparte, forever preening himself in a variety of uniforms (the costumes by Franziska Loring are a treat, as is the shambles of a setting by Wolfgang Mai), should remind one of General Jaruzelski is no accident.

The historical parallels in Dürrenmatt's anachronistic scheme of things are part of the thought-provoking dialectical debate, which he spatters with visual and verbal gags, part Shavian, part Aristophanic. Despite the echoes of previous comedies, Dürrenmatt's latest, with its curtain-line revelation that the stage has all along represented a literal madhouse, makes several new and valid points in yet another parable for today.

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Australia floats free

MR BOB HAWKE, Australia's charismatic Prime Minister, may not be able to walk on water, as some of the adulation he attracts almost suggests; but he has decided that he can float. If he gets away with it, that is in itself a pretty remarkable achievement—and Mr Hawke has so far shown an impressive record of getting away with it.

Elected as head of a party with a strong left wing, he seems to have persuaded the usually unruly trade unions to accept a quite painful cut in real wages. He has introduced a mildly deflationary budget, but has judged matters so nicely that Australia's worst post-war recession has given way to its sharpest recovery; the cautious official growth forecasts have just been revised upwards again for the second time in his brief period of office. The stock market has risen to record heights, and overseas investors have responded keenly.

Market forces

It was this persistent inflow of funds, which has driven broad monetary growth up to 12 per cent against a 6-9 per cent target, despite heavy official intervention in the exchange markets, which has led to his latest venture. Instead of revaluing, or tightening controls — the normal reflexes in this heavily bureaucratised economy — he has at one stroke abolished the tightly managed float which has damped out fluctuations in the Australian dollar, and the exchange controls which has penned in the private outflows which might have balanced the inflows. A relatively calm first day suggests that Mr Hawke may again have got his timing right.

The government's robust willingness to open the Australian economy to market forces is laudable and welcome. Australia's trade partners will now pay far closer attention to Mr Hawke's frequent statements that he intends to tackle the central cause of Australia's long record of disappointing growth—the overprotection of local manufacturing, which according to official estimates costs he Australian consumer 7 per cent of his potential real income.

This is a question on which the rest of us cannot afford simply to wait and see. There is a strong case to be made for unilateral cuts in Australian protection on the lines of the last major cut, made by Mr Hawke's predecessor, Mr *Malcolm Fraser*. Protection not only leads to inefficiency, but in a country which is a net exporter of farm produce and raw materials and an importer of manufactures, it cuts the real incomes of those in the farming and resource sectors. However, there are vested interests involved, and Mr Hawke wants to bargain tariffs down; if he cannot do so in a world tariff round, he threatens to woo the Japanese with offers of a regional preferential trade area. That is not a road down which Europe would wish to see him go.

It is clear, however, that Mr Hawke is prepared to act boldly in what ever he sees as the national interest. Even Friday's decision to float has a distinct nationalist edge to it; while nearly all purely financial transactions except those which might facilitate tax evasion are now freed, foreign direct investment inside Australia remains rigidly controlled.

This is perhaps understandable in what remains a small economy of 15m people, with rich potential but at present a standard of real income which is unexciting by European standards. For the same reason, however, the float must be accounted not only an unusually bold decision, but a potentially risky one. Quite small capital movements by international standards could have a disproportionate effect on the Australian economy.

As a symbol of self-confidence and because the change has been made — as was the uncapping of sterling in 1977 —in the cause of monetary control, it is likely to get a favourable initial reception. All the same, an economy which has freed capital while trade remains restricted may be thought to be approaching market freedom in reverse. Australia's friends will be keeping their fingers crossed for Mr Hawke in the hope that his luck and his charisma will last long enough to enable him to finish the job.

A balance in air transport

IN JUST over a year's time, if all goes to plan, the Government will offer some or all of its shares in British Airways for sale to the public. This decision, which was confirmed by the Secretary of State for Transport yesterday, is entirely welcome.

There are already signs that the more commercial approach adopted by the airline in the run-up to its privatisation is yielding benefits to its customers in terms of improved service. Moreover, future governments will be less inclined to make expensive mistakes about aerospace policy in general if they do not have a tame airline that can be bullied into buying Concordes.

It may be argued that it would be better to delay the sale for a period in order to give the new management a chance to build up a longer track record, and therefore achieve a better selling price. But there will probably never be an ideal moment to sell an organisation of this nature, and in terms of the economic cycle —to which airline profits are highly geared—early 1985 may turn out to be as good a time as any.

The Government has not yet decided what proportion of the shares it will sell. Provided the stock market can take the strain, it would seem sensible to go the whole way and sell 100 per cent of the equity. A residual government shareholding would seem inappropriate, and might send out the incorrect message that the Government still needed to play a role in the airline's affairs.

Competitive power

There were two other welcome items in the Secretary of State's statement yesterday. One is the decision to base any capital reconstruction prior to the flotation at least in part on British Airways' financial performance in the current year. The hope is that the necessary improvement to the balance sheet should come as far as possible through the airline's own efforts. With the help of asset revaluations and sales, as well as profit retentions, it seems there is at least a possibility that the Government will not have to do any radical and—for the taxpayer—expensive surgery before the disposal.

In addition, there are to be no hurried decisions about the precise shape of the airline that will be offered for sale to the public. The Secretary of State *has recognised* that there is real concern about the competitive power of British Airways as it is currently constituted, which would be made *all the stronger* by *any kind* of capital reconstruction.

British Airways accounts for more than four-fifths of all available UK scheduled domestic and international passenger seats. Sir Adam Thomson, chairman of the independent British Caledonian Airways, has made a powerful case for shifting this *balance* in his favour prior to privatisation by means of route transfers.

In response to these arguments, the Government has asked the Civil Aviation Authority, which is responsible for the licensing of air transport, to review its present policy to see whether there should be any change in the competitive balance in the UK in view of the proposed change in ownership of its biggest constituent. Among other things, the CAA has "to further the reasonable interests of users of air transport"—which presumably include a measure of healthy competition.

However, it is unlikely that the buck will stop here. Some independent airlines already believe that they are being discriminated against in the licensing of routes. They fear that whatever its future ownership, British Airways will still be seen as the major UK flag carrier and will therefore qualify for preferential treatment.

So there may well have to be more formal government direction to the CAA on the question of liberalisation. After all, British Airways is the shape that it as as much for reasons of history as of efficiency. And the concept of a single chosen instrument *in the air transport* industry is looking increasingly out of place in a world where the structure of airlines is being determined more and more by competition rather than by government regulation.

Like any other business, British Airways has shown that it will fight with all its powers to resist new competition. But this should not be allowed to override the opportunity for creating the framework of a soundly balanced and competitive airline industry. That, even more than the transfer of ownership to the public, must be the prime objective.

FRANCE AFTER THE SUMMIT

Mitterrand's smack of Gaullism

By David Housego in Paris

IT IS almost certainly a mistake to believe, as some British officials do, that President Mitterrand deliberately set out to put a spoke in the EEC summit at Athens that brought about its failure. M Mitterrand's hopes were that substantial progress could be achieved, that would then be buttoned up during the French Presidency of the European Council starting January.

But now that the unexpected *has happened* and France takes over the chair at a moment of crisis in the EEC, one consolation is that in domestic terms it has happened at an opportune time. *Six months ago M. Mitterrand* was in e politically weak position. Since then his Presidency has gained a second wind, his standing has sharply risen *in the opinion polls* and in France he gives the impression of a leader more confident and at ease. His EEC partners may also find him a tougher negotiator.

Two events have happened in recent months that mark a sharp turning point in his administration. The first is that like de Gaulle, Pompidon and eventually Giscard d'Estaing before him, M. Mitterrand has begun to exploit the massive powers of a President under the Fifth Republic to take full charge of directing policy himself. One is the period when he shielded himself behind his government and when M. Pierre Mauroy, the Prime Minister, could describe himself as a "lightening conductor" for the President.

Readiness to use force in defence of French prestige

"I decide and I choose," he said in recent television broadcast, and the political parties "organise themselves and define their viewpoints around that decision." M. Mitterrand was referring to defence and foreign affairs but his words are also applicable to economic policy. The satirical journal Canard Enchaine can joke about the new Louis XIV installed in the Elysee. But France seems to like the smack of authority.

The second event is the shift in policies themselves. M. Mitterrand is no longer implementing the programme of the left, but rather carrying through what he thinks a majority of the country believe is necessary or desirable. "The people, they are not just the people of the left," said M. Louise Mermaz, President of the National Assembly and a close confidant of M Mitterrand recently. He sidestepped a question on whether the government had refocussed its policies to capture the middle ground. "We must rally the maximum number of Frenchmen around the left."

In economic policy the shift in focus includes the hard industrial readjustment and industrial restructurings that France postponed after the second oil crisis and tough measures to prevent any further humiliating rise in foreign debt. Economic stagnation and falling living standards are painful but more Frenchment feel they are unavoidable.

In foreign policy it includes the Gaullist readiness to use force in defence of French prestige. The left was uncomfortable at the French airstrike at Baalbek in retaliation for the 58 French soldiers killed in the Lebanon. But there was no doubt it was popular.

Along with these shifts of substance there has been a change in the image of M Mitterrand projects. Gone is the rather remote figure who in March seemed a refugee in the Elysee, uncertain which way to turn. On television now M Mitterrand is authoritative, coaxing and surprisingly cosy. He travels more in France as well as making unexpected visits to factories or housing estates to convey a feeling of personal concern. The result is that his rating in the opinion polls which had dropped to 32 per cent of "satisfieds" has climbed back in the latest Sofres poll to 46 per cent.

M Mitterrand's new image has its origins in the dark days of his Presidency after the March devaluation of the franc. For a man who prided himself on his long-term vision and his tactical political skills, the summary end to his initial expansionist policies and the discrediting of his government was a trauma. But worse than that, M Mitterrand found himself cornered. He could not leave the EMS because the franc was too weak: it was difficult to replace M Mauroy because the Communists were opposed.

All that he has done since has been to give himself more room to manoeuvre either by squeezing the Communist and Socialist parties into line or by adopting unpopular austerity measures to stabilise the franc.

It may be that the middle-of-the-road electors who will ultimately decide M Mitterrand's fate will never forgive the bungling of the first two years of Socielist rule. The continuing flow of by-election losses seem to confirm that the left will do badly in the 1986 legislative elections. But M Mitterrand believes that he is the only person on the left that can reverse that trend.

It is vital to him that he does. For should the centre and right romp home with a majority in the National Assembly in 1986, his last two years as President will tail off in a bitter power game between executive and legislature.

The swing in the pendulum back to the Elysee has correspondingly diminished the authority of the Prime Minister and the other members of the Cabinet. "Under no former President have ministers been more little regarded" claims a senior poltician with direct experience. With the Prime Minister and his colleagues regarded first as technicians loyal to the President, the changing of the Premier and the Cabinet reshuffle in prospect during the next six months loses much of its importance.

In adopting such a high profile M Mitterrand takes great risks because he can be blamed for failures as well as successes. Lebanon, industrial lay-offs, the persistence of high inflation and *the difficult handling* of the next realignment of the franc are all banana skins on which he could slip.

But in managing the economy *he is at least no longer faced* with the outright opposition of industry which recognises that he is holding down wages and making redundancies easier. Business feels more at ease with austerity policies that provide a stable environment rather than an expansionism that left major uncertainties hanging over *inflation and the franc*. French unions and labour do not like the cuts in purchasing power. But recession, as elsewhere, has put them on the *defensive*. They would still much prefer that painful medicine is meted out by a government of the left than of the right.

M Mitterrand's more assertive foreign policy may not be what the Socialists imagined before they came to power, but while successful it remains popular. The French interventions in Chad and Lebanon, the sale of Super-Etendards to Iraq, the emphasis on France's nucleer deterrent all bear the Gaullist hallmarks of a president reinforcing his authority at home by demonstrating France's strength and determination abroad. Fading in priority are the third world concerns that President Mitterrand once pencilled high on his programme.

In a confused Europe, M Mitterrand is also asserting a French claim to leadership that would have formed a major theme of a French Presidency of the EEC whether or not the Athens negotiations had broken down. France does not feel, as it did six months ago, dependent on West Germany because of the weakness of the French currency.

The franc is more stable now and in French eyes it is West Germany now that is fragile and lacking firm leadership. M Mitterrand sees himself stiffening German resolve over the deployment of U.S. missiles, initiating new proposals for joint European security and acting as Europe's go-between in the resumption of a dialogue with the Soviet Union that would diminish the dangers of the current "cold war" climate.

M Mitterrand's *volte face* in Athens over a solution to the British budget problem was in the main Gaullist tradition of an exasperated gesture towards a continuingly obstreperous Community member. France had more to gain than to lose from a compromise. The French are well aware that the clock is ticking against them and that Mrs Thatcher now holds the strong card in that as the Community runs out of funds cuts in agricultural spending will of necessity take place. There will also be no fresh resources until Britain agrees.

The only major gain for M. Mitterrand is that the failure of the Athens summit puts off the evil day of making domestically unpopular concessions over agriculture and the budget. The centre and the right-wing opposition were preparing to give M. Mitterrand a drubbing over these in the campaign leading up to the European elections in June which will be more of a national political test in France than elsewhere.

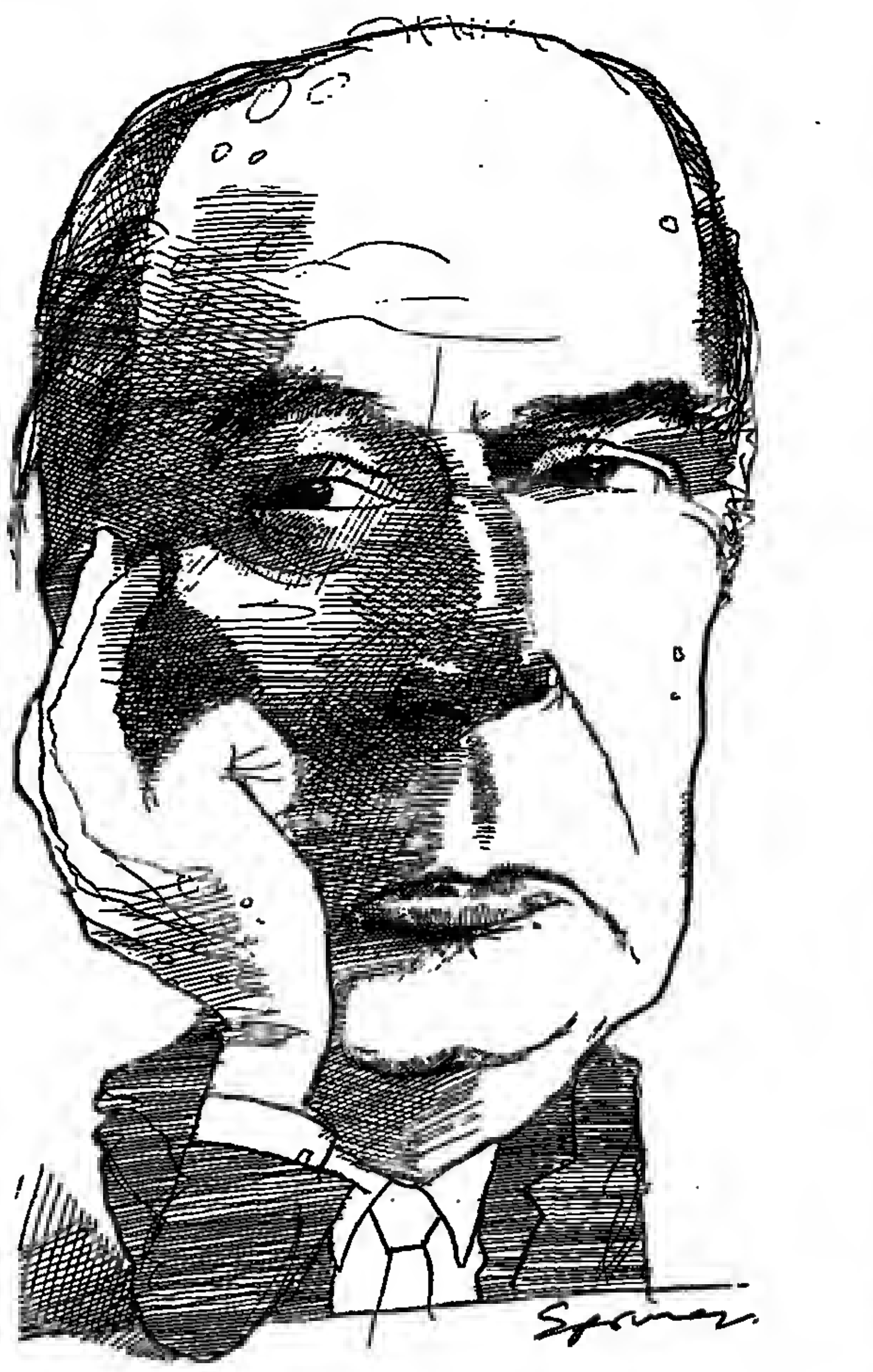
President Mitterrand was prepared for concessions as the paper on tighter budgetary control put forward by M. Jacques Delors, the Finance Minister, was meant to indicate. But to sell them in France he needed some flexibility from Mrs Thatcher. He also needed

The evil day of concessions has been put off

to make the package acceptable by wrapping it up in a difficult-to-define commitment to inject new life and dynamism into the Community. Finding the "political element" missing, Mrs Thatcher inflexible and Chancellor Helmut Kohl's mind elsewhere, M. Mitterrand took a step backward.

The French have not yet decided their tactics over the next six months. M. Mitterrand's hope is that the shock of failure will jolt heads sufficiently to enable a compromise to be reached under the French Presidency.

Should that prove insufficient the French are likely to try and achieve a consensus on reforms that would isolate Britain while portraying her as a second rank member in a two speed Europe. But clearly the last has not been heard of M. Mitterrand's Gaullist brinkmanship.



M Mitterrand has begun to exploit the massive powers of a President under the Fifth Republic

Men & Matters

PG tips

When Leslie McLoughlin and John Harding set up Arabic Translation Associates in London, it was with an eye to the commercial market — tenders and contracts, that sort of thing.

The last thing they expected to be translating as one of their first jobs was P. G. Wodehouse's story The Great Sermon Handicap. "But we didn't ask why, we just got on with it," McLoughlin says.

The commission turned out to be part of a project by New York *publisher* and Wodehouse buff, Jimmy Heineman, to have the story, featuring Bertie Wooster and the inimitable Jeeves, translated into a still undecided number of tongues. The 20 or so versions to date include Bulgarian, Esperanto, and Chaucerian English.

While each translation will be marketed in limited editions of 500 at about $16.50 apiece, Heineman explains that his main object is a linguistic experiment. "I want to see what can be translated into various languages, and what cannot. For instance, we've already found that the story works well in German and Italian, but not in French."

To give an idea of how it works in Arabic, McLoughlin and Harding supplied me with an extract from their version which has been translated back from the Arabic into English, literally word by word. The extract is a dialogue between Wooster and Jeeves which, as written by Wodehouse, went:

"Jeeves," I said, wiping the brow and gasping like a stranded goldfish, "it's beastly hot."

"The weather is oppressive, sir."

That will be read in the *Midle East* as:

"O Jeeves! This atmosphere is hot in a savage fashion."

He replied, saying: "It is an atmosphere whose tread is heavy indeed, O my lord."

Lynch law

Another example of how to make friends and influence people from the Merrill Lynch recruitment centre at London's Savoy.

After my report yesterday, a potential recruit passes on this quote from a Merrill man. "The London stock market is like a frightened rabbit caught in the headlights of a large, fast car."

Wasn't he afraid some of these quotes might get into the British Press? Merrill's man was asked. "When you are a rhinoceros like us, you can't go tip-toeing through the bullrushes, you've got to knock down a few trees," he responded.

Booked twice

No Irish political Christmas stocking will be complete without two gifts—new books about Ireland's most charismatic politician, the Opposition leader Charles Haughey.

Both have been written by local journalists and both deal with the strange events of Haughey's year in office, in 1981-82. Events in that rumbustious period included the resignation of the Attorney General when a murder suspect was arrested in his flat; the acquittal of Haughey's election agent on a charge of voting *twice*; and a scandal over the bugging of telephones.

There is particular interest in The Boss written by Guardian correspondent Joe Joyce, and Irish Times man Peter Murtagh — not so much because of the content but because some of the sources must clearly have been official.

Civil servants in more than one department are convinced that if and when The Boss returns to power there will be a vigorous hunt for the moles.

Indeed, Haughey's tendency to conduct policy with scant reference to his civil servants could, in the opinion of some likely victims, become even more marked.

The other book, a racier and *more* sympathetic account of Haughey's days in office, is Charles J Haughey — The Survivor, by Raymond Smith, a journalist on the Irish Independent.

All at sea

Christie's, which is due to stage one of its more unusual auctions free of charge next Sunday, is casting anxious eyes towards the Western Approaches.

A good proportion of the 200 lots are still tossing around at sea. It will be touch and go whether they arrive in time.

Britain's world land speed record holder, Richard Noble, is even more anxious. For he will have to organise a ferrying operation, likely to last through the night, to rush the items from Felixstowe docks to London and prepare them for sale.

Noble's Project Thrust project is selling off most of the bits and pieces, ranging from nuts and bolts to support vehicles, used when he smashed the record *in his* jet car Thrust II in the Nevada desert in October.

The idea is to split the funds among six full-time team members to ease the burden of redundancies.

But the car itself will not be sold. It is destined to go to the *national* motor museum at Beaulieu after a round of exhibitions.

"Everything for the auction was supposed to have arrived last week," says Noble. "But some of it had been switched by the shipping line to a later vessel."

He will be almost selling the shirt off his back—the lots include his record-breaking overals.

Moonshine

Comforting reassurance from the London Weather Centre that computers are, after all, nothing more than dumb adding machines.

Every night the centre sends the FT a summary of weather conditions for North America compiled at noon GMT. Among the places listed are Los Angeles and San Francisco, which are eight hours behind GMT.

On the last few lists, the weather in these two Californian cities has been given as "sunny." At 4 am local time?

A rueful met officer admitted: "These observations are compiled by computer and it can't differentiate between day and night. And our programmers can't do anything about it."

Keeping mum

East Germans are getting some fun at the moment from this anecdote about Communist leader Erich Honecker:

Honecker visits his 99-year-old mother in a remote village. "What are you doing for a living these days, Erich?" she asks. "I'm chairman of the Council of State," he replies. And seeing her blank look, he explains: "It's like the Kaiser used to be, Mother."

"And where do you work?" his mother wants to know. In the Council of State building, he says, adding "that's like the Kaiser's palace used to be."

The old lady ponders for a moment, then says: "Erich, you'd better watch out that those damned Communists don't try to take that palace from you."

Observer

Privatising British Airways

Why just about everything is up in the air

By John Plender

THE COMMITMENT of Transport Secretary Mr Nicholas Ridley to the planned privatisation of British Airways has never been much in doubt. The ebility of Lord King, the nncompromising chairman, to wrest profits from the corporation is beyond dispute. But in the delicate and protracted balancing act that is required to hring the state-owned airline to the private sector, almost everything else is up in the air.

The task of turning British Airways into a public limited company on April 1, vesting its licences in the new legal entity and producing bumper profits for 1983-84 — these, paradoxically are not the most difficult steps on the path to privatisation. The outcome hangs less on the words and deeds of ministers and managers (though they are clearly important) *than on the mood of* markets in London and Wall Street.

The last and most important date on the privatisation timetable is thus conditional on avents outside the Government's control. So, too, are the ultimate proceeds and the extent of any residual government shareholding. Mr Ridley's statement in the Commons yesterday needs to be seen in that light.

The problem arises because everything about British Airways is different. Unlike other privatisation candidates it is technically insolvent end has a balance sheet burdened with £800-£900m of external debt, much of it carrying a Treasury guarantee.

The BA management had originally hoped that the Government would pump in money to repay the greater part of the debt before the share sale, thereby tidying up the halance sheet. This was welcome neither to the Treasury, nor to the independent airlines that have to compete on an unsubsidised basis, nor to the independents' sympathisers on the backbenches. Mr Ridley yesterday left the door wide open on the prospects for capital reconstruction. He did, however, indicate that the Government wanted to see that "as far as possible the necessary improvement to the airline'e balance sheet should come through its own efforts."

He has, of course, still left himself with the continuing problem of BA's finances. The precise form of the offer will probably not be decided for some months. But the sale to the public will probably involve both the transfer of government shares and the issue of a large amount of new shares hy the airline itself. This means that the shape of the balance sheet will be determined by market conditions at the time.

The big question is whether the market will stump up enough to provide BA with an undaunting debt-equity ratio and the Government with tha large-scale proceeds that it would like to see. There is a continuing debate between Whitehall, advised by merchant bankers, Hill Samnel, and BA, whose advisers are Lazard Brothers, over how much of the sale proceeds should be devoted to repaying what proportion of the company's debt before privatisation. The Treasury naturally wants more cash, the company less debt.

It will depend, Mr Ridley told the Commons yesterday, "in part on British Airways' financial performance over the coming year."

All concerned are acutely conscious that Wall Street's view of airline stocks could make the whole debate academic. The present timetable is viable only if American institutional investors are sanguine about prospects for the airline sector. If they are sellers at the time, the climate in London will be soured and the BA sale postponed.

While there *is* sympathy in Whitehall for Lord King's predicament, the potentially much more lucrative sale of shares in British Telecom remains the first priority of the Treasury, which controls the privatisation queue. So flexibility over timing is limited. And the fear at BA's headquarters is that any market-imposed delay could bring the timetable into politically sensitive territory in the run-up to the next election, when the Government'a readiness to privatise may be dulled.

That is not to say that all the odds are stacked against the sale. After a huge deck-clearing operation in 1981-92 which involved extraordinary write-offs of £426m, the corporation turned in a post-tax profit of £51m last year; in tha first six months of the current financial year post-tax profits more than donhled to £162m. Even if it failed to make any profit at all in the second half, the rednction in debt interest following debt repayment from the sales proceeds would ensure that it showed minimum forecast post-tax profits in the prospectus of £250m. Clearly the more profitable it becomes, the easier the share sale and the greater the proceeds. And more is what both the Government and BA now appear to expect.

Management has been talking of inviting investors to pay around three times historic cost earnings for the shares on the hasis of nil tax charge (past tax losses and present allowances ensure a minimal liability), showing a dividend yield of perhaps 8 per cent. This is not, however, a combination that institutional investors will uniformly regard as appealing.

For a start there is considerable uncertaioty over the future of the world airline business And Sir Adam Thomson, chairman of BA's independent rival British Caledonian, has recently cast a further shedow over the quality of BA's earnings by questioning BA's continuing right to fly profitable routes.

Mr Ridley lacks the legislative power to transfer routes from BA to British Caledonisn and has indicated that he has no desire for it either. But his rehuff for British Caledonian's provocative offer to pay £200m for BA routes and assets has been interpreted by some in the City and on the Tory backbenches as a further indication that the Government will do almost anything to smooth BA'a passage to the private sector.

That leaves investors in a quandary. BA's licences may now be being renewed without difficulty. But how durable will the present route licencing arrangements prove once BA is privatised? Will the Government be so protective towards BA if it is not now to have a residual share stake in the company? How long can the international airline business resist the tide of deregulation? And what would happen to BA's profitability if it ever had to face real competition?

These, and other doubts, are probably manageable if the share sale is happily timed. The institutions, according to one insider, "are not gasping to buy;" but they appear more interested than had been expected earlier. Like British Telecom, BA also hopes to attract above-average interest from privata investors with the aid of perks and discounts. Cheap flights could, for example, he offered to the Bahamas or the Seychelles subject to the availahility of seats. This would have to be squared with IATA rules: hut since most airlines are discounting in one form or another, BA is optimistic. The staff, too, are keen to buy shares and the management is keen to give them a special discount.

Investors are unlikely to take Lord King's medicine with quite the same docility that BA's staff took the cuts that paved the way to the airline's improved profits performance. Indeed, turning the aspirations of the Governmeot and BA into reality could prove a corporate financier's nightmare. But as long as profits do not take an unexpected turn for the worse, the cash-hungry players are still in with a chance.

Lord King: uncompromising

London Stock Exchange reform

"Time for pretty fast change"

By Richard Lambert and Peter Riddell

In an interview with the Financial Times, Mr Alex Fletcher, (right) a minister with special responsibility for City affairs, outlines the Government's attitude towards the period of dramatic upheaval now facing the London Stock Exchange

THE GOVERNMENT believes that the structure of Britain's financial institutions needs to change—and to achieve that it is prepared to encourage mergers in the City.

It wants the present informal system of "club rules" to be replaced by a more formal framework of self-regulation with statutory backing, and it expects to introduce important new securities legislation within the next two years.

These were some of the views expressed by Mr Alex Fletcher, the Under-Secretary for Corporate and Consumer Affairs at the Department of Trade and Industry, in a recent interview.

Mr Fletcher's comments came after the approval by the House of Commons of legislation which will exempt the Stock Exchange from proceedings under the Restrictive Trade Practices Act. In response to criticism by MPs about the Government's failure to spell out its policy, Mr Fletcher explained there was no masterplan for the future shape of the City.

"We are just trying to get people to realise that the regulatory authorities are easier to deal with (than they were) and that the Government believes this is a time for pretty fast change," he said. "We think that, quite apart from the regulatory problem, the separation of our institutions has probably had its day, and there is a need for more financial conglomerates."

How important is it to have a British - owned securities Industry?

I think it is very important. If we want to maintain London as a prominent market, I think it is important that the Stock Exchange and the majority of the institutions here should remain very firmly in British hands. I believe we have got the capacity and the resources to do that.

Would you like to encourage mergers aimed at building institutions which will be hig enongh to compete on an international scale?

I think we have encouraged them, by making people understand that the regulatory obstacles are no longer paramount. The $64,000 question is what shape should the market be in—and the regulators will have to plug in to suit that shape.

What are your views on single capacity — the separation of jobbers and brokers?

I'm not afraid of dual capacity. On my trip to the U.S., I was very impressed by computer based information technology, which ran an open disclosure system with an excellent audit trail and an ability to reconstruct deals months after the event.

How quickly is such a change likely to occur?

You don't install a system like that overnight. There has to be a period after the Stock Exchange deciding to go that way—if it does, and it is for the Exchange to decide—and I think it would be a minimum of 18 months, maybe more. My interest is that if the market does go to dual capacity, I expect to find something very similar to the systems I referred to in North America.

What are the odds that this will take place within five years?

I would think very high. But this is an individual guess, because the Government has no view on what the system in the Stock Exchange should he. It just wants one that creates great confidence in the market place.

Yon have just received the final report on investor protection from Professor Jim Gower. What is the next step?

The report will be published early in the New Year. People will let us have their views.

The hest we could do would be to publish a White Paper in May or June, with a Bill in November or December. Now that would really be going some, and it might well slip into the following session (1985-86), because we are committed to an Insolvency Bill in 1984-85.

Is it urgent?

I naturally think there is a lot of urgency in the matter of the Government moving from the club rules that have run the City institutions for a long time—and have stood up very well—to a slightly more formal system. In my view—and again there is no Government view—this will be based on strong self-regulation with places like the Stock Exchange, Lloyd's, and the commodity markets running their own affairs, but with the Government having statutory powers to satisfy itself that the self-regulation is good and working well. But not a Securities and Exchange Commission. I'm not an SEC man.

How big a role should the Government have?

I want the Government to do as little as possible to enable the markets to work well . . . and at the same time, to give confidence to the users of the market.

Does the Government have to put teeth into self-regulation?

It has to have the reserve powers to do so. I would hope that the institutions themselves would provide the teeth. But we would be able to go in. For club rules, read statutory provisions.

Does all this mean that you will have to build np more City expertise here in the Department of Trade and Industry?

The implication of what I am saying is that there will be *more* here.

In the new era of competition, will securities firms just sell themselves out to the highest foreign bidder?

I don't believe that will happen here at all. I think perhaps some people may do so for good international reasons, like Citicorp and Vickers da Costa. And I want to see international firms comiog into London, not just setting up branch offices.

But I'm convinced we've already got the capacity, the robustness, the ingenuity and the capital. It's just a matter of trying to cross the frontiers between the banks, the insurance companies, and all the others.

Are there any prudential dangers in allowing such financial conglomerates to be formed?

We would probably want to be satisfied that the structure of such groups separated different activities from an accounting point of view.

Nobody planned the City. People seem to think that because they were horn in a state, that state was there for a thousand years.

What will the City be like in five or 10 years?

There will be a small number of very much higger financial institutions than we have at the moment, and a greater number of smaller ones. And I think we will be getting reports from the Stock Exchange saying "The number of individual shareholders has grown again this year."

Letters to the Editor

Apparent over-capacity in electricity supply

From Mr P. Kreamer

Sir,—Dr Raphael Papadopoulos is surely less than fair in his criticism of the CEGB's planning (December 6) in that he fails to mention improved "load management" which is at least partly responsible for its apparent over capacity.

Their success in reducing the swing between minimum and maximum demand (from 30 to 16 units) by promoting night time consumption, pumped storage and inter-utility trading is dramatic. Since the figures appeared as part of the minutes of evidence to the select committee on energy some 18 months ago the Dinoric pumped storage scheme has, I believe, been commissioned. This will take another significant hite out of the swing and further rednce primary fuel consumption in plant previously devoted to "peak lopping."

The more successful the board is in reducing the growth in peak demand the more over capacity it will appear to have. It is in danger of being criticised, for getting the right answer, because Dr Papadopoulos and others are addressing themselves to the wrong question!

Peter A. Kreamer.

J. E. Lesser & Sons (Holdings), *The Causeway, Teddington, Middlesex.*

New road through the Black Country

From the Director, British Road Federation

Sir,—Government indecision on a new road through the Bleck Country is condemning the area to irretrievable economic decline.

Delay in huilding this road is preventing international companies considering this part of the West Midlands as a location for new industries.

The route has been chosen as the first candidate for the private funding of road building. A consortium comprising Tarmac, the National Westminster Bank and Saturn Management, together with West Midlands County Council has been waiting the go-ahead from the Department of Transport for months.

The privately funded 7-mile Black Country route project costing £40m has the full support of West Midlands County Council, tha CBI, Chambers of Commerce and trade union leaders in the region. The road project will generate jobs: it would also fulfil one of the Government's key objectives—replacing public spending by private investment.

Recent correspondence with Ministers has suggested that their main difficulty may be the fact that the overall amount payahle could, if the route is as successful in generating new economic activity as the participants in the project hope, cost more than if built by the DTp. Such argument overlooks the advantages to the Exchequer and the local authorities concerned of having an important element of risk taken by the private sector and the considerable advantages which will follow from being able to begin construction almost immediately.

It will be an inglorious start for the new Secretary of State's term in that office if one of his first acts is seriously to delay or even to prevent such an imaginative scheme for bringing private finance into the infrastructure regeneration that so many areas of this country badly need. It is to ha hoped that, instead, Mr Ridley will use his experience as a former Treasury Minister to help achieve an early start to the Black Country route and to assist in overcoming any features of the private financing scheme which might otherwise prejudice its ultimate success.

David Gent.

Cowdray House, 6 Portugal Street, WC2.

Profiting from inefficiency

From Mr J. Stuart

Sir, — I read with dismay Mr N. Farrow's assertion (December 7) that "professionals serving the British construction industry can profit from their inefficiencies and mistakes." While it is perfectly possibla that a professional's mistake resulting in higher construction cost may generate an increase in part of his fee, his client has ample oportunity through the conditions of engagement (in the case of consulting engineers), or if need be through the courts, in recovering his loss.

As to inefficiencies generating higher costs and fees, this will not in the long term benefit the professional since his clients will swiftly recognise both the higher costs and fees attributable to him and not employ him for future work.

While there are hlack sheep in every profession, the vast majority of consulting engineers in this country see their long-term interests in providing the most cost-effective service to their clients at a fee which enahles them to provide the most suitable and expert resources available to them.

That this is recognised by overseas clients is testified to *by the ever-increasing* export earnings (part of the invisibles component) brought to UK by British consultants.

If price becomes the determinant in selecting consultants then clients cannot object if the service provided is related to the fee paid. Put another way, the lowest fee may not result in the service the client needs. It is also a sad fact that he (or she) who pays the least complains the most.

J. A. Stuart.

Veryard and Partners.

The Mead, Western Avenue, Cardiff.

Fresh approach to the NHS

From Mr D. Fletcher

Sir,—There is at present considerable discussion about making the NHS more efficient but I have yet to hear or see any mention of what seems to me to be the most important aspect of all.

The NHS was primarily created to produce good health among the population but this it has completely failed to do. I believe that I am right in saying that when the NHS was founded it was estimated that annual costs would rise to about £400m in 1960 but that thereafter they would steadily decline because of increasing good health throughout the nation. Far from this happening, the health of our people would appear to have deteriorated to such an extent that the NHS bill for 1984 is estimated at some £15.5bn.

The truth of the matter is that the NHS, as some of us forecast at the time, has turned out to be an ill-health service entirely concerned with sickness instead of with health. If the Government really wishes to reduce this enormous burden upon our country it must ensure that the NHS does what it was created to do. This will necessitate a complete rethinking by the medical authorities as to what their function really is and there are even a few faint signs that some are becoming aware of this. It is depressing, however, that little or nothing of such a fresh approach has been grasped by Parliament.

David Fletcher.

19 Victoria Road, Brighton, Sussex.

The face of the City

From Mr D. Fitzpatrick

Sir,—Some readers who know the City may have had difficulty, as I had, in recognising it as portrayed in the opening paragraph of Colin Amery's review (December 5) SAVE's "London 1945-1983." His pessimism is hardly consistent with the scholarly and unique appreciation of some City buildings in his book (with Gavin Stamp) "Victorian Buildings of London 1837-1887" which, through examples, draws attention to the wealth and variety of work of this period which time and Goering have spared and avarice has not consumed.

I agree with Colin Amery on the low standard of much of the City's post-war architecture (though by no means on St Paul's Choir School!). And Upper Thames Street is an environmental catastrophe.

But the capacity of the City to absorb and transmute the indifferent and the second rate is considerable: the Mansion House and the Royal Exchange are conveniently central examples! It is dangerous to cry "All is lost," for the world may conclude that there is nothing worth saving.

In fact the City is still a pleasure for anyone who wishes to see what is there rather than simply to assess what is lost. This is true especially of the streets radiating from the Bank-Royal Exchange centre.

The vigilance for which Colin Amery calls is truly necessary. But let us start from the premise that there is a splendid, if jumbled, inheritance to be conserved.

Desmond Fitzpatrick.

Fire Trees, Burnt Common, Nr Ripley, Surrey.

No way to prosperity

From Mr J. Money

Sir,—Michael Ward, the Chairman of the Industry and Employment Committee of the GLC writes to you (November 24) saying, in effect, that the higher the rates raised hy the GLC, the better for employment prospects in London.

One winces to read such nonsense from someone in his position of responsibility. Does he not understand that the only way wealth can be produced is through added value? Alas, increasing the number of street cleaners, given *their* added purchasing power, is not going to further the prosperity of the community.

J. K. Money.

18 Pembroke Gardens Close, W.8.

FINANCIAL TIMES

Tuesday December 13 1983

Suicide bombers strike at embassies in Kuwait

BY KATHLEEN EVANS IN KUWAIT

SIX BOMBS in Kuwait, two of them directed against the U.S. and French embassies, killed at least four people and injured another 61 yesterday. Two other people are missing. No Americans or French were reported killed.

A group calling itself the Islamic Jihad (Holy War) Organisation quickly claimed responsibility in Beirut.

This group is assumed to be made up of Shia Moslems loyal to the radical regime of the Iranian leader, Ayatollah Khomeini. It was one of the organisations claiming responsibility for the October bomb attacks on U.S. and French military bases in Beirut, in which nearly 300 soldiers died.

Yesterday's most determined attack came at the U.S. embassy at about 9.30 a.m. local time. The method was a suicide assault similar to the one on the U.S. marines in Lebanon.

A man driving a heavy-duty truck laden with explosives crashed through gates into the U.S. embassy compound. The blast devastated many buildings and damaged the nearby Hilton Hotel. Businessmen were seen wandering around the hotel nursing injuries and struggling to remove their luggage from their rooms.

Official news agency reports indicated that the truck driver may have jumped out before the bomb detonated. He is said to be severely injured and held by the Kuwaiti authorities.

At the French embassy a bomb in a parked car exploded only minutes later.

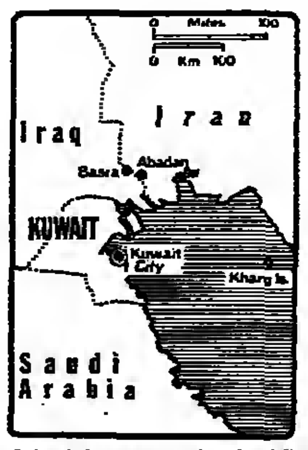
Bombs also exploded at the international airport, the electricity and water ministry, a residential complex used by Americans and an industrial site on the city outskirts.

The Kuwaiti Cabinet went into emergency session immediately after the bombings and it is understood that a number of suspects other than the driver were picked up. They were thought to be Iranians.

Sheikh Saad al-Abdulla al-Sabah, the Prime Minister later pledged that the government would purge Kuwait of "all suspicious elements who have abused the tolerance of this hospitable country."

Kuwait was at a standstill last night as police made thorough searches of all vehicles in the city.

The international airport was quickly operating normally, although some flights were delayed.



Palestinians and nationals of five Middle East countries – Iraqis, Jordanians, Lebanese, Syrians and Iranians – were banned from leaving the country.

Foreign missions in Saudi Arabia, Bahrain and other states were said by diplomats to be strengthening their security arrangements.

Kuwait, like other conservative Arab countries, has backed Iraq in the conflict and is also a strong supporter of the Palestine Liberation Organisation (PLO).

Kuwait feels vulnerable, Page 4

Bonn probe into Flick tax breaks could hit Lambsdorff

By James Buchan in Bonn

AN INVESTIGATION being carried out by the Bonn Economics Ministry into tax breaks it granted the Flick concern in the 1970s could have important implications for the future of Count Otto Lambsdorff, the Economics Minister now facing court proceedings for alleged corruption.

Friedrich Flick Industrieverwaltung will also be required to pay more than DM 400m ($146.3m) in back tax should ministry officials decide they were not justified in *waiving capital gains tax* on about DM 780m realised by Flick through the sale of stock in Daimler-Benz in 1975.

Should the ministry officials rule against the concern by a deadline at the end of next month, it will be an embarrassment to *Count Lambsdorff* and Herr Hans Friderichs, his predecessor and now chairman of Dresdner Bank, who face court proceedings on suspicion of taking bribes in connection with the tax breaks to Flick.

The Bonn district court must now decide whether to follow up the public prosecutor's recommendations and proceed against the two men, who are among five at the centre of the "Flick affair" who received indictments last week.

While government officials are now claiming the indictment is a flimsy affair and will not get past the court, a negative decision from the ministry would almost certainly increase the political pressure for *Count Lambsdorff and Herr Friderichs* to step down from their posts.

The ministry investigation, which has been running since November 1982, concerns the economic justification for the tax waivers on Flick's investment of DM 780m in W. R. Grace and Co., the U.S. chemicals concern.

The ministry said yesterday that on September 6 1976, Herr Friderichs approved tax relief on "Grace I," the purchase of 12.1 per cent in the U.S. concern. This amounted to about DM 280m of the DM 1.9bn realised by Flick from the sale of its 29 per cent stake in Daimler-Benz to Deutsche Bank.

On September 28 1978, Count Lambsdorff approved "Grace II," the tax-free increase in this holding to 25.1 per cent at an additional cost of DM 500m. Both approvals were agreed with the Finance Ministry and the local state government.

The tax "holidays" were allowed on the *basis of Article 4 of the West* German Foreign Investment Law, abrogated in 1981, which permits tax-free reinvestment of capital gains where this "serves the international division of labour and an enhanced integration of the world economy." Even at the time of Grace II, opposition Deputies claimed no such thing had occurred and that Flick was little more than a sleeping partner in Grace.

Government officials are anxious that the ministry may find itself obliged to overturn its earlier decisions on economic grounds which could only increase public suspicion of Count Lambsdorff and Herr Friderichs.

Meanwhile, the West German *magazine Der Spiegel*, which has consistently investigated the "Flick affair," could face prosecution on suspicion of publishing extracts from the indictment. The Bonn public prosecutor yesterday forwarded documents to his Hamburg counterpart inviting him to decide whether the magazine had broken the law in an article on the indictment yesterday. Proceedings are already under way against Der Spiegel, and Stern, another Hamburg-based magazine, in connection with earlier articles.

THE LEX COLUMN

Banking profits fall at GEC

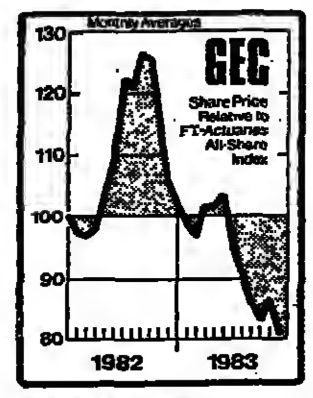
GEC kept its financial income motoring ahead when interest rates started to fall, but now that rates have stabilised, the engine has stalled. Even though the company's net *liquid* resources have *shown* another substantial jump – of £360m to £1,477m – interest receivable tumbled by £16m to £56m in the half year to September. The decline was the main reason for a rare drop in GEC's overall pre-tax outcome, *down £6m at £285m* – a result that was enough to send the share price into sharp reverse, dropping 17p back to its late autumn low point of 176p.

In practice, the rise in the cash pile more or less counter-balanced the effect of *falling* short-term interest rates. The real damage was taken in the gilt-edged holdings. The company enjoyed a total return, including unrealised gains of 27 per cent per annum in its £150m short gilt portfolio in the comparable period, and only 10 per cent on £185m this time round; a discrepancy of about $12m. On top of that, it has switched about £100m into indexed stock, which produced a £8½m adverse swing.

Stripping out £7m of *currency* gains in the comparable period, underlying trading profits rose by 8 per cent, with the electronic systems division – essentially defence contracting – contributing an extra 29 per cent at £88m.

Telecommunications have been disappointing, with the rundown in older technology output mainly responsible for an £8m fall in profits to £36m, a result that compares unfavourably with the way Plessey has handled an identical problem.

It may be 18 months before System X puts this division back on a growth path, while the pressure on the power generation division is unlikely to ease for several years beyond that. The growth points in *Marconi and medical equipment* will not on their own produce above average growth for the companies, which leaves the emphasis on acquisitions. The market has learned scepticism on this front, and the prospective p/e, on the likely stated tax charge, is barely above that of the market as a whole.



Federal Reserve

The latest clutch of monetary statistics from the U.S. has added a further element of theological uncertainty to the running debate as to whether the Federal Reserve has been *tightening* its policy in the *last* few weeks. The unexpected appearance of net free reserves in the banking system and a $2bn drop in the M1 total *will* not have strengthened the faith of those Fed-watchers who have proclaimed a tightening. But most people will probably agree to regard last week as an aberration, so far as the movement in target aggregates is concerned.

Perhaps the truth is that the Fed's concern with the real economy, and with the level of interest rates has – as is likely in election year – dimmed its interest in monetary aggregates. The remarkably stable track of the Fed Funds rate in recent months does give powerful suggestion that the focus has changed.

But if interest rates in the U.S. may thus be hindered from rising, at least so long as the recovery does not get out of hand, there is disillusionment – from Goldman Sachs – for anyone who thinks that U.S. corporate cash flow is going to be so strong next year that rates are likely to fall.

However strong the influx of cash, it seems that companies will find ways of spending money; capital *investment* this *year* is set to rise by 60 per cent. In any case, a lot of the corporate liquidity – following supply-side tax cuts – is indirectly being funded by federal debt sales; an odd parallel with the overfunding technique employed by the authorities in the UK.

Eagle Star

The bids for Eagle Star might as well have been referred to the Monopolies Commission for all the time Allianz Versicherung is taking to make its next move. Even allowing for the distance between London and Munich, the cumbersome decision-making procedures of West German companies and the reluctance of Eagle Star to provide Allianz with an abundance of trading information, Britain's biggest takeover is advancing at an inordinately slow pace.

Yesterday, the Take-over Panel wound up the clock again, by insisting that Allianz name the price at which *it is prepared to bid* by tomorrow morning. Thereafter, there should be no excuse for further delays. Allianz has secured as much information from Eagle Star as it ever will and should, after a two and a half year association with the company, have a *fair idea of what it* is prepared to pay. Its present prevarication not only threatens to create a false market in Eagle Star *shares*, which *fell* 13p to 697p yesterday, but must strengthen the existing resistance of Eagle's board to the German bid.

Allianz is presumably confronted with the option of going for a knock-out or of only just topping the BAT bid, in which event BAT might reply with an offer pitched *high enough for it to buy shares in* the market. Much the more statisfactory alternative is a realistic bid. Both offerors are obviously serious in their intent, so there seems little point in prolonging the game of poker.

British Airways

The UK Trade Secretary ought to *have* surprised *no* one yesterday by declaring that British Airways (BA) *should as far as possible sort out its* debt problem unassisted: these are early days in the privatisation countdown. But by making an explicit statement to that effect, he avoided giving the City of London – and perhaps, BA – any clues about the Government's eventual readiness to help the flotation with some extra financial ballast.

The fact remains that, without it, even the most elaborate privatisation plans are more likely to push castles into the air than a privately owned airline. Balance sheet revaluations and profits on the sale of any substantial assets could obviously assist the debt/equity ratio. But if net debt is still to be in the region of £1bn by next March, as was suggested yesterday, it is optimistic to talk of pre-tax profits doing much to redeem the situation.

Kohl calls for closer link with Moscow

By Leslie Colitt in Berlin

WEST GERMANY'S *Chancellor*, Herr Helmut Kohl, last night offered the Soviet Union and its allies wide-ranging co-operation despite Moscow's recent refusal to continue the Geneva missile reduction talks after the West German parliament's vote for deployment of new U.S. missiles.

Addressing the Warsaw Pact members from West Berlin, 110 miles inside East Germany, the Chancellor reiterated an invitation to Mr Yuri Andropov, the Soviet leader, to visit West Germany. He also said the Bonn Government would examine the steps it could take to make its relations with Poland "more constructive."

West Germany, along with other European countries, is known to favour lifting the Nato ban on credits to Poland, which was imposed after martial law was proclaimed in Poland in December 1981.

Herr Kohl said Bonn favoured improved political, economic, cultural and humanitarian contacts with the Soviet Union and Eastern Europe. He emphasised West Germany's strong interest in the success of the remaining East-West disarmament negotiations.

Chancellor Helmut Kohl

The Chancellor obliquely criticised the West German Social Democrat opposition for allegedly encouraging an erosion of West Germany's ties with its Western allies. Whoever tries to keep his distance, "especially from the U.S.," he noted, acts "irresponsibly" toward the Berliners.

Chancellor Kohl told his countrymen there was no reason to be resigned to the continued division of Germany. There could only be a solution to the "national question" be said, within a larger European framework, together with "our European neighbours."

He warned that no German "special path" *could lead the country out* of the heart of Europe. Herr Kohl gave his support for the establishment in West Berlin of a German historical museum, which a number of West German cities have been keen to obtain.

Angry response likely over MEP's call for Ulster change

BY JOHN WYLES IN STRASBOURG

THE EUROPEAN Parliament's controversial involvement in Northern Ireland moved a step forward last night with the tabling of a resolution calling for new political arrangements in Ulster and a joint Anglo-Irish parliamentary body.

The resolution was put before the parliament's political affairs committee by Mr Nils Haagerup, a Danish Liberal, who has investigated Northern Ireland on the parliament's behalf for nine months.

The committee's decision in February, to hold the investigation drew sharp protests from British Conservative and Unionist politicians.

Mrs Margaret Thatcher, the British *Prime Minister, refused to allow* her ministers to co-operate with Mr Haagerup on the grounds that the parliament was wrong to consider an individual EEC member state's internal affairs.

Although bound by a Parliamentary injunction to avoid proposing changes to Northern Ireland's constitution, Mr Haagerup may reopen old political feuds because his resolution implicitly rejects the province's internal political arrangements.

It urges London and Dublin "to use their influence with the two communities in Northern Ireland to bring about a political system with an equitable sharing of government responsibilities, which would accommodate the identities of the two traditions, so upholding the ideals and the concept of tolerance vis-a-vis minorities practised in the two countries and in other EEC member states."

The resolution, which may be modified in committee before being put to the parliament next year, takes up the idea of an Anglo-Irish parliamentary body, which has been discussed by Dublin and London but never accepted by the British.

However, it also "offers to have members of the European Parliament take part in such a body insofar as that meets with the support of British and Irish members."

Much of his resolution deals with the need for greater economic and social improvement in Ulster. It calls for an integrated EEC development plan and the requirement that all future Community spending in Ulster be additional to British Government spending, rather than offsetting part of it.

A British Government spokesman welcomed several points, including the *condemnation* of violence and support for Anglo-Irish co-operation. However, he reflected Whitehall's unease about the sections dealing with political arrangements.

Bankers Trust plan for Paris subsidiary will boost Socialists

BY DAVID MARSH IN PARIS

BANKERS TRUST, the fifth largest New York bank, is to spend FFr 380m ($46m) in opening a merchant banking *subsidiary in Paris. It will* be the largest ever investment made at one time by a foreign bank in France.

The new bank, to be opened in February, will extend the business already carried out for 13 years in Paris by Bankers Trust's existing branch, which has a balance sheet of around FFr 3bn.

The bank's vice-president and general manager in charge of the Paris branch, M Robert Allemon, said the decision to start a subsidiary in France was part of Bankers Trust's strategy of expanding its European network and represented a "vote of confidence" in the French economy.

Since the coming to power of the *Socialist Government 2½ years ago* and the sweeping bank nationalisations last year, most large foreign banks have adopted a "wait and *see" attitude about increasing their* investment in France. M Allemon said the decision was made after a "careful strategic study" of French prospects. "We believe that the French economy will be recovering and that the course of action (by the Government) is in the right direction," be added.

The new wholesale banking subsidiary, whose FFr 380m capital will be paid in shortly, will exist alongside the present branch. It will add to the bank's capability to carry out transactions with multinational clients and French Government entities.

The bank also wants to expand its Middle East and Africa financing *business carried out from Paris* and to boost further its international money market and foreign exchange operations.

Bankers Trust seems likely to increase its present Paris staff of 100 only minimally to start with. But the new subsidiary could pick up steam and "put together its own personality" later on, M Allemon said.

The plan, which has been discussed for some time with the French Treasury and the Bank of France, will come as a boost to the French Government. The Finance Ministry has faced the possibility that the status of Paris as an international banking sector could decline with the fall in the franc and the drop in confidence in the Socialist administration in the period after it took power. The Bankers Trust decision seems to allay some *of these fears.*

UK prepares to privatise BA

Continued from Page 1

the airline's external financing limit fixed for 1984-85 "means we expect BA to repay at least £160m, of borrowings next year."

The airline is on the way to profits of at least £200m for the current financial year, with a half-year profit already announced of £162m.

Mr Ridley also made clear that he recognised the concern expressed in the private airline sector at the prospect of greatly intensified competition from a privatised BA.

British Caledonian, in particular, has already asked the Government to let it buy up to £200m worth of BA's routes and aircraft in an attempt to minimise this competitive impact on the independent airlines.

Mr *Ridley* emphasised yesterday that he had no legislative powers to authorise such a "route swap" – or "smash and grab raid" as it has been described by Lord King, BA's chairman.

Robin Pauley writes: Lord King has been pushing hard for the airline to be privatised quickly and, if possible, before British Telecom, which is scheduled for market next autumn.

The Cabinet refused to allow BA to jump the queue, not least because there are technical difficulties still to be overcome including the treatment of the company's £1bn debt.

If BA is sold early in 1985, the equity market will probably be asked to absorb it within a few months of the first £2bn tranche of British Telecom. *During* 1985, the Government might also sell the remaining £2bn tranche of British Telecom plus the British Airports Authority for around £400m.

There have been some doubts about the equity market's ability to swallow such large flotations in quick *succession*, leading to soundings about the possible extent of overseas, particularly U.S., interest.

The asset sales will make a substantial contribution towards reducing the public-sector borrowing requirement (PSBR).

Central banks 'will not act on dollar'

Continued from Page 1

Philip Stephens in London adds: The dollar continued its surge against European currencies yesterday, pushing sterling to a record low at the London close and hitting a ten-year high against D-Mark.

Forecasts of higher U.S. interest rates – despite Friday's large decline in the narrow M1 measure of U.S. money supply – were still underpinning the currency, foreign exchange dealers said.

The dollar also received an early boost from news of explosions at the U.S. embassy and other targets in Kuwait, emphasising the currency's role as a safe haven for investors at a time of growing unrest in the Middle East.

Sterling closed at $1.4305-$1.4315, down 45 points on the day, but slightly up from an all-time low of $1.4285-$1.4295. The British currency then came under renewed pressure in New York after the London close.

World Weather

		°C	°F
Ajaccio	S	13	55
Algarve	S	18	64
Algiers	C	13	55
Amsterdam	C	-1	30
Athens	S	14	57
Bahrain	S	25	77
Bangkok	S	31	89
Barcelona	S	8	48
Beirut	-	—	—
Belgrade	F	-3	27
Berlin	S	-5	23
Biarritz	C	9	48
Blackpool	S	6	43
Bordeaux	C	7	45
Brussels	C	0	32
Budapest	S	-2	28
B. Aires	R	27	81
Cairo	C	20	68
Cape Town	-	—	—
Caracas	C	28	82
Casablanca	F	15	59
Copenhagen	S	0	32
Corfu	F	14	57
Dublin	S	3	37
Dubrovnik	F	6	43
Faro	S	15	59
Florence	C	9	48
Frankfurt	F	-3	27
Funchal	C	18	64
Geneva	C	1	34
Gibraltar	C	15	59
Guernsey	F	7	45
Helsinki	F	-9	16
H. Kong	C	19	66
Innsbruck	-	—	—
Inverness	S	4	39
Istanbul	R	8	46
Jersey	F	7	45
Jo'burg	-	—	—
Las Palmas	C	21	70
Luxor	S	24	75
Lisbon	F	13	55
Locarno	C	3	37
London	R	4	39
Los Angeles	S	17	63
Luxembourg	C	-2	28
Madrid	S	10	50
Majorca	C	12	54
Malaga	F	15	59
Malta	-	—	—
Manila	C	29	84
Miami	C	26	79
Milan	S	4	39
Moscow	F	-7	19
Munich	S	-3	27
Nairobi	-	—	—
Naples	F	11	52
New Delhi	S	22	72
New York	R	5	41
Nice	C	8	46
Oporto	S	12	54
Oslo	F	-7	19
Paris	C	1	34
Prague	Sn	-7	19
Reykjavik	F	-2	28
Rio de J'o	C	29	84
Rome	S	11	52
Salzburg	-	—	—
Seoul	C	6	43
Singapore	R	29	84
Stockholm	S	-6	21
Strasbourg	F	-1	30
Sydney	S	25	77
Taipei	S	21	70
Tangier	F	15	59
Tehran	-	—	—
Tel Aviv	F	19	66
Tenerife	C	21	70
Tokyo	S	13	55
Toronto	C	-15	5
Tunis	S	17	63
Valencia	S	14	57
Venice	R	5	41
Vienna	-	—	—
Warsaw	C	-6	21
Zurich	C	-3	27

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Amex predicts decline

Continued from Page 1

Fund came in American Express's third quarter, when the insurance unit's net income fell by 25 per cent to $45.6m.

At that time, American Express blamed the earnings decline on continuing competitive pressures in the property liability business and losses caused by hurricane Alicia.

Despite the sharp decline in the third-quarter and the projected fourth-quarter loss, American Express said yesterday that the insurance company should still show a profit this year.

Mr Edwin Cutler, who was elected chairman and chief executive of Firemen's Fund only 12 months ago, has instead been made chairman of the insurance company's executive committee.

In his place, Mr Sanford Weill, president of American Express, is to assume the additional post of chairman and chief executive of Firemen's Fund.

American Express also appointed Mr William McCormick a director of the holding company and chairman and chief executive of Firemen's Fund's U.S. property and liability insurance operation. Mr McCormick was previously president of American Express travel and card division.

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SECTION II – INTERNATIONAL COMPANIES

FINANCIAL TIMES

Tuesday December 13 1983

Xerox buys private bank in further diversification move

BY WILLIAM HALL IN NEW YORK

XEROX, the major U.S. office equipment manufacturer, is diversifying further into financial services with the purchase of Van Kampen Merritt, a private investment bank, in a deal which could be worth up to $238m.

Xerox will pay $150m now for the Illinois-based bank, plus up to $68m based on its next three years' earnings. Earlier this year, Xerox bought Crum and Forster, a leading insurance company, for $1.6bn.

Van Kampen Merritt specialises in buying long-term tax exempt municipal trusts from local municipalities and states and selling them through regional brokerage firms to individual investors. With close to $7bn of such trusts outstanding, Van Kampen Merritt claims to be the third biggest in the industry after Merrill Lynch and John Nuveen. It also says it is the biggest dealer in insured municipal bond trusts.

Mr David Kearns, Xerox's chief executive, said yesterday that Xerox had purposely chosen to enter the wholesale brokerage business rather than the retail securities business.

The purchase of the investment bank, which has 166 staff and earned $25m in the year to the end of November will add a third arm to Xerox's growing financial services business.

Xerox Credit, the group's first financial diversification, leases Xerox equipment to customers and earned $39m on assets of $1.2bn last year.

Crum and Forster earned $115.5m in 1982, had assets of $4.5bn and a net worth of over $1bn.

Xerox is facing fierce competition, from Japanese manufacturers in particular, in its all-important office equipment business. The move into financial services is part of a major attempt to spread its earnings base.

Gaf dissidents set to assume control

BY OUR NEW YORK STAFF

A DISSIDENT group of Gaf shareholders will take control of the U.S. chemicals and building products group today after their victory in a bitter 10-month proxy contest.

The shareholder group, led by Mr Samuel Heyman, will take control of the Gaf board at the company's resumed annual meeting in New York this morning. The meeting was originally convened on April 28.

Last week the proxy battle was brought to a close when a Federal Appeals Court upheld Mr Heyman's victory in a proxy vote at the April meeting and refused to order a new ballot. On Friday the proxy vote was made official, showing that Mr Heyman's shareholder group had won 59 per cent of the vote.

The dissident shareholder group had mounted its battle around concern over the current management of the company and over opposition to the planned sale of Gaf's building materials division, arguing that the company's speciality chemical business should be sold instead.

Earlier this year Gaf agreed to sell its building materials division to Southwestern General Corporation for $140m, but the deal was subsequently blocked by court action.

Separately in July, Allied Corp., the diversified U.S. industrial products group, called off an agreement to buy the chemicals business as part of a liquidation plan prepared by Gaf. Allied said late on Friday that it would be willing to reopen talks that might lead to its purchase of the chemicals division. Mr Heyman has said two other companies have expressed an interest in acquiring the speciality chemicals unit.

Pepper bid unchanged

BY OUR NEW YORK STAFF

DPCC ACQUISITION Corporation, the leveraged buyout company formed to bid for Dr Pepper, the U.S. soft drinks manufacturer, has written to outside directors of the group in an effort to turn them against a rival offer from Forstmann Little.

DPCC, n consortium led by the Castle and Cooke food, property and manufacturing concern, had been widely expected to raise its terms after its bid was rejected by the Dr Pepper board at the weekend. However, the consortium said yesterday that its $560m offer still stood and was worth $47.5m more than the Forstmann Little bid.

The buyout company complained that it had not been able to meet any of the Dr Pepper board, and that it was receiving unequal treatment compared with Forstmann Little. But it said that it continued to believe that its cash offer, worth $2 a share more than the rival bid, was in the best interests of shareholders.

Telecom setback hits GEC profits

By Guy de Jonquieres in London

GENERAL ELECTRIC Company (GEC) suffered a fall in pre-tax earnings during the six months to September 30 to £285m ($410m), compared with £291m in the previous corresponding half-year. It is the first fall in the UK group's profits since 1979.

The company's net holdings of cash and short-term investments increased further, however, to almost £1.5bn from £1.1bn a year previously and £1.3bn at the end of March. The total was boosted by the proceeds from the sale of GEC's interest in Fisher Controls International to Monsanto for $178m last summer.

Operating results, broken down for the first time by line of business worldwide, showed that profits on telecommunications and business systems fell to £36m (£44m) on turnover of £350m (£347m). This group includes A. B. Dick, GEC's troubled office equipment subsidiary.

GEC's share price fell by 17p yesterday in London to close at 176p, reducing the company's market value by £466m. At one point during the day the price touched 174p, its lowest level this year.

GEC said that its performance had suffered from lower deliveries of power generation equipment and telecommunications main exchanges. Net interest receivable from investments also fell to £56m from £72m a year earlier.

The poorer results in public telecommunications are believed to partly reflect a shift in orders by British Telecom from older TXE-4 electro-mechanical exchanges to the newer System X digital exchange, which is not yet in full volume production. The performance of the private telecommunications business is said to have improved.

Profits on power generation dropped to £25m (£37m) on turnover of £313m (£377m), while profits on electrical equipment fell to £20m (£23m) on turnover of £361m (£304m).

But electronic systems and components, the biggest business grouping, which includes most of GEC's defence business, increased profits to £88m (£68m) and turnover to £715m (£629m). Improvements were also reported for automation and control, medical equipment and consumer products.

Overseas, GEC achieved higher profits and turnover only in Europe and America. Export sales totalled £575m, up from £544m, but new export orders fell sharply to £632m from £406m.

The company has declared an interim dividend of 1.15p, up from 1p per share.

Details, Page 24

David Marsh in Paris looks at the expansion plans of France's Crédit Agricole

Green Bank ready to blossom in spring

CREDIT AGRICOLE, the French farmers' co-operative bank popularly known as the "Green Bank," will finally blossom on to the international stage next spring.

The bank, owned by 3.8m members throughout France's farming regions, is the second biggest in the world after Citicorp measured by capital and reserves, and fourth in terms of assets.

Boasting 16 per cent of all deposits in the French banking system (making it roughly equal in size to all the banks taken into state ownership last year), Crédit Agricole has been known as the "slumbering giant" for so long the appellation has become a cliche.

Now, according to M Jacques Bonnot, chief executive of the bank's ceotral institution, the Caisse Nationale, the giant is due to wake up with the opening of foreign branch offices in New York, London and Milan next May or June.

Noting thet only about 10 per cent of Crédit Agricole's current operations are in foreign currencies – compared with shares of around half for the big French commercial banks – M Bonnot says: "We have the capacity to increase our foreign credits."

The bank's aim is to build slowly in developing its international network and to avoid any rush into new and potentially risky areas in syndicated bank lending.

"It's a very pragmatic approach," he says, adding that the bank can benefit from not being already associated with crisis-ridden regions of the world. "We have the enormous benefit of being totally new."

Caisse Nationale chief executive M Jacques Bonnot – a foreign awakening

Crédit Agricole wants to gear its foreign operations primarily to serving its traditional customers and interests in the agriculture and food business. But it aims to build up to 12 foreign branches over the next five years and to increase its prowess in areas like foreign exchange and treasury dealing, bond trading and foreign trade financing.

At present, the bank has just one full foreign branch – in Chicago, home of the big U.S. agriculture markets – and five representative offices, including nnes in New Yrrk and Milan due to be upgraded into branches next spring.

The foreign expansion plan has been given the green light by the French Finance Ministry, which with the Agriculture Ministry has tutelary power over the Caisse Nationale.

This has not prevented some sniping at Crédit Agricole's international projects from some of the other big commercial banks. Commenting on the "Green Bank's" plans to develop a presence in South East Asia too – a branch in Hong Kong or Singapore is envisaged, possibly within the next year or two – one recently nationalised banker remarked ironically that the possibilities for Crédit Agricole to develop its agricultural lending in Hong Kong were distinctly limited.

M Bonnot says the bank still has not made up its mind whether to opt for Hong Kong or Singapore. But there is a clear preference for the British crown colony in spite of – or perhaps because of – the political uncertainty over its future.

Crédit Agricole has long-standing links with China – it is helping to train Chinese bankers in modern techniques of agricultural project financing – and Peking has indicated it would be willing to help to set up the bank in Hong Kong. Crédit Agricole has also been given the green light to open a representative office in Peking (joining the flood of other French banks recently pressing to expand their Chinese links), which could be established at the same time as the Hong Kong or Singapore operation.

A further possible foreign project would be the upgrading to branch status of the bank's Frankfurt representation. But M Bonnot says he wants more time to study the "difficult" German banking market befnre making a decisinn.

The shift into the foreign banking arenn – where French banks overall have the second largest international network after that of U.S. banks – is part of Crédit Agricole's gradual move over the past decade or so into areas traditionally the preserve of France's commercial banks.

In exchange for giving up its previous exemption from corporate taxes on profits – the huge size of which at the end of the 1970s brought great protests from the commercial banks – Crédit Agricole has been allowed to expand its lending and deposit-taking business in urban areas.

Now that Crédit Agricole can offer to customers roughly the same services as the other banks, M Bonnot says his institution "is no more vulnerable than the others" in the increasing battle taking place over the collection of private sector savings in France.

He also says that, partly as a result of a new flexible system agreed with the Finance Ministry, Crédit Agricole is not suffering as it has done in previous years from rigorous credit limits set under France's "encadrement" system of credit ceilings.

In another fight which has split the French banking community – the battle between the Visa-affiliated Carte Bleue credit card and the rival Eurocard system to which Crédit Agricole adheres – M Bonnot says talks are underway which should result in the "twinning" of the two networks.

Crédit Agricnle wants to keep the individual character of its own Eurocard-linked Carte Verte credit card network. But there are clear technical and commercial advantages in harmonising Carte Bleue and Eurocard so that the different banks' plastic cards can be used, for instance, in the same automatic banking machines and point-of-sale terminals.

As for the bank's profits, M Bonnot is pleased that Credit Agricole does not have the same need as his commercial bank rivals to make provisions on loans to hard-pressed manufacturing industry and developing country clients.

But the bank is exposed to some risk-laden sectors of agriculture – for instance the wood and paper area, as well as some troubled farm co-operatives – and is also burdened by its considerable portfolio of low-interest loans in housing. As a result, Caisse Nationale profits for 1983 will probobly be down again from the 1982 level of FFr 268m ($32m), a fall of 47 per cent from 1981, while the earnings of the regional network (Caisses Regionales) are expected to be roughly maintained compared with last year's FFr 874m.

Olivetti's sales up by 15%

By Alan Friedman in Rome

OLIVETTI, the leading Italian data processing and office equipment group, yesterday reported a 15.1 per cent rise in group sales for the 11 month period to end-November, to L3,149.9bn ($1.9bn). The parent company's net revenue climbed 22.7 per cent to L1,631.9bn.

The group also announced that new orders taken by the parent company on the Italian market, including orders for leased products, amounted to L1,089.8bn in the 11-month period, a rise of 25.3 per cent.

Yesterday also saw the resignation of six directors who had represented the shareholding held by Saint Gobain, the nationalised French group which had its stake transferred to a variety of new investors including Cit-Alcatel, the French telecommunications group. The resignations were considered pro-forma in view of the change in share ownership.

Debts drag down Italmobiliare's shares

BY JAMES BUXTON IN ROME

SHARES in companies controlled by the veteran Italian financier, Sig Carlo Pesenti, yesterday resumed a fall which has been going on for two weeks.

Italmobiliare, the holding company for Sig Pesenti's interests, saw its shares fall nearly 10 per cent in a day, to close at L38,900 ($23.58). They stand at little over half their value of July 1.

Other shares in companies in which Italmobiliare has large or controlling stakes also fell slightly yesterday.

Italmobiliare's problems arise from its heavy debt. The participations it manages were worth L790bn on March 31 but this was outweighed by debt of about L820bn while the company's own funds amounted to only L42bn.

However, Italmobiliare's debts are lower than they were at the end of the previous financial year, when they amounted to L1,100bn. To reduce them Sig Pesenti had to sell Istituto Bancario Italiano, a leading private sector bank, to Cariplo, the Lombardy savings bank, for about L550bn.

Much of this money, however, went to pay interest charges and to offset the loss of about L100bn which Italmobiliare made on shares in Banco Ambrosiano, some of them bought shortly before the crash in June 1982.

For months Sig Pesenti, has been under pressure from his advisers to make further sales. So far, however, he has resisted doing so.

Last week Sig Pesenti appeared before magistrates in Milan investigating transactions in shares in Banco Ambrosiano in the weeks before it crashed.

Although he was a director of the bank, he allegedly allowed a holding company which he controlled to be used to "park" shares which the bank had bought to support its share price.

Nu-West cuts losses at nine months

By Robert Gibbens in Montreal

NU-WEST, the Alberta-based group which has been hit by the collapse in Canadian real estate and oil and gas values in the past two years, reports a new loss of C$103m (U.S.$83m) in the first nine months of 1983, against a C$148m deficit a year earlier.

Revenues were down from C$665m to C$404m. The company has written off a further C$20m to cover lower property values and C$29m covering losses of its subsidiary, Carma.

Nu-West said its problems in Alberta, where most of its remaining holdings are located, continue because of poor economic conditions. Losses elsewhere were reduced.

The company is several months aways from completing a financial restructuring package with its bankers. Nu-West has halted interest payments on about $864m of debt up to 1985. Its oil and gas subsidary it expected to be sold shortly.

Canadian media groups acquitted

By Nicholas Hirst in Toronto

THOMSON Newspapers and Southon, two companies which between them control nearly 50 per cent of daily newspaper circulation in Canada, have been acquitted of all charges laid against them of conspiring to close newspapers and reduce competition.

The 2½ month trial in the Supreme Court of Ontario in Toronto was seen as a key test of the Federal Combines Investigation Act, a criminal statute which is the main legislative force behind monopolies and merger control in Canada. The charges had been laid after a lengthy federal investigation. The groups pleaded not guilty on all counts, claiming there had been no conspiracy to reduce competition and that newspapers had been closed because they were losing money.

This argument was accepted by the judge, Mr Justice William Anderson. He dismissed five out of eight counts after the presentation of prosecution evidence. The Crown has appealed against three of these dismissals. The three remaining charges, relating to the closing of the Winnipeg Tribune by Southon and the Ottawa Journal by Thomson on the same day in 1980, were dismissed last week following defence evidence.

Newspaper groups in Canada have been concerned by the Federal Government's desire to introduce new laws to limit the concentration of press power. Legislation was presented to Parliament in the last session but failed for lack of time. It was not mentioned in the speech outlining the Government's new programme last week and newspaper groups do not believe it will be proceeded with.

Brazilians bid to draw new Arab bank loans

BY MARY FRINGS IN BAHRAIN

THE BRAZILIAN Planning Minister, Sr Antonio Delfim Netto, and the governor of the central bank, Sr Affonso Celso Pastore, are touring the Gulf this week in an apparent attempt to put government pressure on Arab banks that are unwilling to extend further credit to Brazil.

On the basis of 11 per cent of loans previously committed to Brazil, the Middle Eastern banks' share of the new U.S.$6.5bn support package is estimated at $175m, of which $110m has yet to be subscribed.

Yesterday's talks in Bahrain with the visiting Saudi Finance Minister, Sheikh Mohammed Abalkhail, and the acting governor of the Saudi Arabian Monetary Agency, Sheikh Hamad al Sayyari, got off to a good start with the news that Saudi British Bank had confirmed its small contribution. However, Saudi American Bank is the only nther institution in the kingdom to have come in, while almost the whole of the $50m due from Kuwait is still outstanding.

Sr Netto flew on to Kuwait yesterday, despite the bomb explosions there, while Sr Pastore went separately to Jeddah to see representatives of National Commercial Bank and Riyadh Bank. On Sunday, the delegates were in Abu Dhabi, where they expressed satisfaction with their reception.

In Bahrain they also met the Finance Minister, Mr Ibrahim Abdul Karim, and the governor of the Bahrain Monetary Agency, Mr Abdulla Saif, but no formal meeting was held with Arab Banking Corporation, which is the Middle East co-ordinator.

Oslo's AL group to float U.S. unit

BY FAY GJESTER IN OSLO

A LEADING Norwegian pharmaceutical company, Apothekernes Laboratorium (AL), has announced that its U.S. subsidiary, A. L. Laboratories Inc., will shortly go public, in a deal worth between $21m and 24m, and seek a listing on the American Stock Exchange. Listing may also be sought in Oslo and London.

The U.S. subsidiary will offer 1.5m shares of class A common stock at an estimated price of $14–$16 each. A group of leading Norwegian banks, with the Oslo financing firm Jøtun Finans, will underwrite the issue.

Concurrently, A. L. Laboratories will offer $10m worth of convertible subordinated debentures due in 1998. The interest payable has not been announced.

Most of the net proceeds of these two offerings will be used to repay indebtedness incurred last summer when A. L. Laboratories acquired Dumex, a Danish pharmaceutical firm, at a total cost of around $27.2m.

The Norwegian parent company achieved group pre-tax profits last year of NKr 8.8m ($1.14m) on turnover of NKr 441.9m.

It claims this is the first time a company in Norway has gone public with its American subsidiary – thus indirectly using the U.S. capital market to strengthen its equity. At present, the Norwegian group owns 97.5 per cent of A. L. Laboratories' $500,000 share capital – 2.5m shares (class B common stock) with a par value of 20 cents each.

After the offering, it will hold 61 per cent of the total number of outstanding shares of class A and class B common stock.

Under company rules, this will entitle it to elect 75 per cent of the company's board of directors, and give it approximately 85 per cent of the combined voting powers of both classes.

Elders secures majority of CUB

BY LACHLAN DRUMMOND IN SYDNEY

ELDERS IXL yesterdey secured majority ownership of Carlton and United Breweries (CUP) in a 3½ houc A$160m (U.S.$145m) share market exercise which took its total outlays in the past week to $450m and its shareholding from 34 per cent to a shade more than 50 per cent.

With its target—which in turn earned 49.4 per cent of its suitor — now within grasp, Elders will relax the hectic pace of recent days, withdrawing from the market until its two formal offers—one in cash the other in shares and cash—come into effect at the end of the month.

Meanwhile CUB was able to deal one in the eye to the catalyst for the Elders bid—Industrial Equity—by selling its crucial 27 per cent stake in the Tasmanian Cascade Breweries to two companies which yesterday launched e joint bid foc the Tasmanian group in opposition to an earlier offer from Industrial Equity.

The rush of selling of CUB shares yesterday came after CUB issued a statement at midnight on Sunday which said there was little it could do to combat share market forces and which suggested that the board was resigned to the takeovec by Elders.

Its bullish profit projections released yesterday, which were to form the core of CUB's efforts to turn the tide, came too late to halt the massive unloading of stocks by its majoc local shareholders.

Such forecasts from target companies require authorisation under company law and Mr Lou Mangan, the CUB managing director, made lt clear yesterday he believed an early release of the predictions might bave effected the result of the bid.

CUB's Sunday statement had said: "It is unfortunate that preparation of such material and the substantiation required by law for the authority takes so long and meanwhile shareholders remain uninformed."

The forecasts were that pretax profits, excluding CUB's share of Elders' earnings, would rise from the A$55.9m achieved to June 30 last to $67.3m this year and $87.9m in 1984-85. CUB also forecast that Elders profits would grow from $74.1m last year to $84.8m and $93.3m in the same period.

CUB valued its brewery assets alone at $5.20 a abare on a replacement basis compared with the $3.82 a share offered in the market by Elders.

The projections may help Elders' own sagging share price which dipped a further 10 cents to $3.80 yesterday from its pre-bid quote of $4.40. This cuts its capitalisation from a pre-bid $708m to $612m in an indication of the investment community's concern about the effects of the $650m of additional debt it will incuc in taking ovec CUB.

Part of the confidence from Mr John Elliott, the Elders managing director, yesterday that the debt-equity ratio would be wound back to one-to-one against a possible three-to-one after the bid, rests with the 49.4 per cent of itself Elders will be acquiring. This must be sold within twelve months and is likely to provide upwards of half of the total acquisition cost.

While the obligation to dispose of a controlling stake in itself suggests the merged enterprise may eod with the wide opeo and potentially unstable share cegister which precipitated the latest moves and the eaclier mergec of Elders and Henry Jones IXL, at least Mr Elliott will have more than a year from now to find, with the benefit of hindsight, safe haven.

Mr Elliott pledged yesterday that CUB would remain separate and independent within the Elders group, some consolation for a company taken over against its wishes by a company 1 per cent sbort of being a subsidiary.

Mr Mangan's explanation of CUB's lack of action was that the casb offer from Elders left the board with no room to move. It bad rejected buying further shares in Elders as a means of forcing it to desist because of the potential for conflict which could have proven detrimental to both companies.

Meaowhile Industrial Equity, fresh from a gross profit of about $14m from the sale of its stake in CUB to Elders, is looking at a further $1m profit should it capitulate with its 20 per cent stake in Cascade Breweries to the 30 cents a sbare highec offer from two Adelaide groups, B. Seppelt aod Son, a wine maker, and C-C Bottlers, a soft drinks group. The $4.80 a share offer values Cascade at $40m and bas the approval of the Cascade Directors.

The two bidders intend maintaining a share market listing for Cascade and the emergence of an unknown biddec in the market at $5.14 a share yesterday seems to suggest Seppelt and C-C may not snare much more than the 43 per cent of the company they now hold.

Wardley to make CD issue

By Robert Cottrell in Hong Kong

WARDLEY, the merchant hanking subsidiary of the Hongkong Bank group, is to make its first issue of Hong Kong dollar-deoominated floaling rate certificates of deposit (CD's). The issue, totalling HK$100m (U.S.$12.8m) is priced at one-quarter per cent over one-month Hong Kong intecbank offered rate (Hibor), and carries a three-year maturity.

Wardley says it is cootinuing to encourage the development of a secondary market in local CDs. The instruments received a boost in February this year when Sir John Bremridge, Hong Kong's financial secretary, permitted banks to bold them as liquid assets for regulatory purposes. Wardley says "real liquidity" io the local secondary market is improving.

● The Hong Kong government's securities commission bas said that it is setting up a special committee to oversee new issues of certificates of deposit and hills of exchange. The committee was deemed necessary because of the "increasing number and variety of such documeots being marketed in Hong Kong, and the diversity of institutions promoting them," said the commission.

SAMA back in the Japanese bond market

By Yoko Shibata in Tokyo

SAUDI ARABIA has resumed purchase of Japanese government bonds directly from the Ministry of Finance. According to the MoF, Japan has placed Y5bn ($21.4m) worth of three-year medium-term government bonds issued on November 19th, carrying an annual interest rate of 6.6 per cent at an issuing price of Y99.40 with a face valne of Y100 and a yield of 6.849 to the purchaser.

Since April 1980, SAMA has purchased Japanese government honds directly from the Ministry, from the Bank of Japan, and from securitiea houses after their floatation on Japan's domestic market.

After the purchase of Y20bn worth of medium-term government bonds in September 1981 SAMA continuously purchased such bonds, issued directly by the MoF, to a total of Y120bn by May 1983. However, since May, the Central Bank has suspended its investments in Japanese government bonds. This is against the hackground of the country's fall in revenne caused by a reduction of crude oil prices and the steep depreciation of the yen.

Japanese company profits ahead

TOKYO—Japanese companies' current profits rose 23.7 per cent in the July-September quarter from a year earliec after a 3.3 per cent year-on-year gain in the preceding quarter according to the Finance Ministry.

This was the largest year-on-year gain since a 28 per cent rise in January-March 1980.

The survey was based on a random sampling of 13,480 companies out of 310,700, excluding banks and insurance firms, with capital of over Y10m.

Pre-tax profits in the manufacturing sector rose 9.8 per cent from a year earliec in the July-September period after a 4.9 per cent year-on-year fall in the preceding three months. Profits of non-manufacturing companies were np 42.1 per cent year-on-year after an 11.1 per cent gain previously.

July-September sales rose 5.7 per cent from a year earlier after a 2.6 per cent gain in the preceding three months, the highest year-on-year rise since a 7.6 per cent gain in January-March 1982.

Japanese corporate bankruptcies rose to a record 1,821 in November from the previous high of 1,786 in October, the Tokyo Commerce and Industry Research company has recorded.

The November figure was up 17.7 per cent from 1,547 a year earlier for the 11th successive year-on-year rise, it said.

The research company, whose figures are used by the Bank of Japan for its bankruptcy statistics, said November dehts totalled Y225.59bn — up from Y197.22bn in October, but down from Y261.50bn a year earlier.

Small company bankruptcies increased in November, especially in the construction, textile, real estate, and food industries, mainly because of the low level of personal consumption and slow growth in household incomes.

Such companies have not benefited from the growth in exports which has led the Japanese economic recovery of recent months.

Japanese corporate bankruptcies will probably reach a record 19,000 in 1983, surpassing the previous record of 18,471 in 1977.

Foreign investors became net buyers of Japanese stocks in November for the first time in three months, the Tokyo Stock Exchange said.

Foreigners bought stocks on the Tokyo stock exchange worth Y515.5bn in November, np 33.9 per cent from October, and sold stocks worth Y488.3bn, up 8.1 per cent.

November net purchases of Y27.2bn compared with net sales of Y66.7bn in October.

Brokers said foreign investors increased their purchases of Japanese stocks in the second half of November because they thought Japanese share prices were rising more slowly than those of New York and London.

They said foreign investors bought high-priced populars, advanced technology issues, and shares with good earnings prospects in November.

Foreign investment in Japanese honds is recovering steadily, reflecting the favourable outlook for the bond market here and hopes that the yen will rise against the dollar.

Net foreign buying of the bonds is estimated to have risen $500m to $550m in November from $152m in October after net selling of $45m in September.

Reuter

Lower dividends forecast for South Korean groups

SEOUL—Dividends this year for all companies listed on the Seoul Stock Exchange should average below last year's level, South Korean Finance Minister Kim Mahn-Je said. Last year dividends foc listed companies averaged 7.6 per cent of the par value of stock issues.

The Minister issued the guideline for dividends in a meeting with local reporters on Friday. He said that it was unreasonable for heavily indebted companies to pay high dividends. Those companies should pay their debts first, he said.

The Minister also said that profitable companies will not all have to bold 1983 dividends uoder 7.6 per cent· last year's ayerage dividend rate for listed companies. But he said the average for all listed companies should drop below 7.6 per cent.

He said that companies should heed the Government's low wage and commodity price policy by following its policy on dividends.

The Government will make efforts to revitalise the sagging stock market next year, according to the Minister. As part of these efforts, the Government will urge healthy companies, including Hyundai Construction to go public next year.

AP-DJ.

SA loss for Associated Engineering

By Our Johannesburg Correspondent

ASSOCIATED ENGINEERING, the 64.4 pec cent-owned South African subsidiary of the British Associated Engineering group, continued to make losses in the year ended September 30, 1983. The pre-tax loss was R6.8m, against R9.7m in the preceding year. Turnover fell to R65.7m from R83.1m partly because the loss-making motoc spares division was sold in May.

Although the spares division has been sold and the manufacturing operations are profitable, the directors are not altogether optimistic on prospects for the current financial year. They do not expect economic conditions to improve and are concerned that high interest cates will continue.

A dividend has not been declared, as the loss pec share has increased to 73.4 cents from 52.8 cents. A dividend of 4 cents a share was declared in the previous eyar.

UK COMPANY NEWS

GEC falls £6m to £285m halftime

AN £11m profits slump by the UK power engineering division of General Electric Co in the half year to September 30 1983 left the group pre-tax outcoma for the period some £6m lower st £285m.

The directors say that s fall in levels of deliveries of power generation and main exchange telecommunications equipment detracted from sn otherwise generally satisfactory increase in group sales from £2.12bn to £2.22bn, excluding those within GEC and those of associates.

The value of orders at September 30 was 8 per cent higher than s year earlier, but financial receivables and currency revaluations showed o decline of £23m when compared with the corresponding period.

Export sales amounted to £575m (£54m) and export orders received totalled £406m (£632m).

Tax for the six months took £117m (£119m) for net profits of £168m (£172m) and little changed earnings of 6p (6.1p) per 25p share. The net interim dividend is being raised from 1p to 1.15p at a cost of £32m (£27m). Last year's total distribution was 3p from profits of £670m.

Below the line, minority profits were unchanged at £4m giving an available balance of £164m (£168m).

A divisional analysis of turnover, including sales between different classes of business, and pre-tax profits within the UK shows: power engineering £264m (£282m) and £18m (£29m); industrial £192m (same) and £19m (£17m); electronics, automation and telecommunications £786m (£708m) and £100m (£96m); components, cables and wire £260m (£238m) and £23m (£23m); consumer products £130m (£127m) and £12m (£7m) and share of associate compsnies £102m (£76m) and £2m (£1m loss).

Overseas by area they broke down as to: Continental Europe, £105m (£83m) and £10m (£7m); the Americas £428m (£387m) and £25m (£16m); Australasia £96m (£102m) and £7m (same); Asia £68m (£78m) and £6m (£7m); Africa, £10m (£18m) and £1m (£2m) and associstes £156m (£195m) and £14m (£15m). Other activities and items turned over £15m (same) with losses at £13m (£6m), but group interest receivable edded £56m (£72m).

World-wide by division the breakdown is given as: electronic systems and components, £715m (£629m) and £88m (£68m); telecommunications and business systems £350m (£347m) and £36m (£44m); automation and control £213m (£208m) and £23m (£20m); medical equipment £205m (£171m) and £13m (£4m); power generation £313m (£377m) and £25m (£37m); electrical equipment £361m (£304m) and £20m (£23m); consumer products £139m (£137m) and £13m (£8m) and distribution and trading £117m (£119m) and £6m (same).

Bank deposits, short-term investments and net balances with bankers at September 30 1983, totalled £1.48bn (£1.12bn).

See Lex

HIGHLIGHTS

GEC's cash mountain has boomeranged on its performance in the latest six months when interest receivable has fallen from £72m to £56m dropping pre-tax profits from £291m to £285m. Lex then goes on to look at the latest from the Eagle Star battle. Allianz has told the City that it will come out with *a higher offer on Wednesday morning. The column comments* on the brave statement from the Government that British Airways might possibly be floated without an injection of Government cash into the balance sheet first. Finally Lex looks at U.S. markets where, although there is no real evidence of s tightening in Fed policies, there is plenty of argument that U.S. interest rates *may* go up with obvious consequences for the dollar.

RHP cuts dividend as bearings profits dive

REFLECTING a sharp decline in profits from bearings RHP Group reports pre-tax profits down from £3.93m to £660,000 for the year to the end of September 1983. The dividend is cut by 2.75p per share.

Turnover of the group, which also has interests in electrical products and fasteners, slipped from £109.46m to £102.38m.

The directors report that in the first half of 1983 despite maintaining market share, there were still further reductions in volume and increased price competition, both of which more than offset considerable benefits from rationalisation and reorganisation of RHP Bearings.

The second half showed some improvement, *but the strength* and certainty of this recovery is by no means assured, they say.

Trading profits from bearings were down from £3.95m to £217,000.

The directors felt at the time of the interim dividend that it would be prudent to conserve cash resources. However, with the improvement seen in the second half, albeit only slight, it is felt appropriate to recommend a reduced final of 0.75p (2p).

This cuts the total payment *from* 4p to 1.25p. Earnings per 25p share fell from 5.7p to 1.8p.

Electrical activities performed well, both in terms of profits and cash generation. An agreement has been signed with Westinghouse Electric Corporation which comes into effect in August 1984 whereby MTE will act as the UK distributor for the Westinghouse range of programmable controllers. This arrangement will benefit MTE and will consolidate its position as a UK market leader in programmable controllers.

Control of cash has been well maintained, *resulting in a satisfactory* cash inflow of more than £6m for the year. A number of properties surplus to requirements have been disposed of during the year and, since the year-end, contracts have been exchanged for £2m for the sale of another property.

The last full revaluation of the group was carried out in 1976, since when there have been substantial changes in the property market. A professional valuation of freehold properties has revealed a net surplus of £4.3m over book value. The surplus *has been incorporated in* the 1983 accounts.

At the operating level profits fell from £7.6m to £3.48m from which exceptional debits took £343,000 (£605,000). Interest payable amounted to £2.48m (£3.06m).

There was a tax credit of £211,000 (charge £1.71m). Extraordinary debits came to £2.13m (£221,000).

● comment

RHP has been paying the price of earlier overproduction in the wake of the abortive recovery of 1981-82. The subsequent fall in volume on the back of too high stock levels has all but wiped out the profits from the dominant ball bearings division. Only now has that business got its labour force back to full-time working. The good news is that RHP has generated £6m cash over the period, and that does not include a £2m property disposal since the figures. Gearing at around 30 per cent is quite manageable, and it appears that the company, intent on expanding its electrical component business, looked on with some chagrin as Crystalate picked up Royal Worcester. RHP's problem is that although it can wave a cheque of up to £10m at would-be acquisitions, its share price is nowhere near the level which would make it a viable currency. Also there is the little matter of the mauled dividend. RHP's argument is that it can be seen as an electrical stock with the ball bearings thrown in free. Fine, but its business of supplying automotive companies with ball bearings is enough to frighten off all but the most stout-hearted investors. Yesterday the shares slipped a couple of pence to 32p, yielding about 5½ per cent.

Dividends Announced p28

Baker Perkins £1.6m in black midway with UK side well ahead

THE USEFUL profit for the six months to September 30 1983 forecast in June by Sir Franklin Braithwaite, chairman of Baker Perkins Holdings, turned out to be £1.56m pre-tax. This compares with a £783,000 loss for the corresponding period and a £1.64m profit for last full year.

Sir Franklin now says the improvement in ordertaking towards the end of last year was maintained in the opening period, and at £95m represented s 26 per cent increase compared with the first half of 1982-83.

However, whereas food and printing machinery orders exceeded expectations, those for packaging machinery were weak and chemical machinery orders remained depressed, reflecting a continuing lack of demand for new plant.

Sales at halftime pushed ahead from £70.92m to £80.32m, with the UK contributing £43.27m (£34.4m) and overseas £37.06m (£36.52m). The £9.4m overall expansion was mainly as a result of buoyant exports of printing and biscuit machinery which produced s much improved profit in the UK, where the trading result rose sharply from £659,000 to £3.01m.

Figures of the overseas companies, where there was a downturn from a profit of £854,000 to s loss of £281,000 at the trading level, were depressed particularly by a deficit on relocated bakery machinery operations in the U.S.

Nevertheless, the value of orders at over £100m already on hand for the group at midterm further reinforces his expectations for the year as s whole, he states.

There was no share of associates in the first half, compared with s loss of £1.1m last time, and interest paid showed little change at £1.17m (£1.2m).

Tax took £9,000 (£605,000), leaving the attributable balance at £1.55m (£1.39m deficit) and earnings per 50p share at 4.6p (4.2p loss). The net interim dividend is lifted from 2.1p to 2.4p. Last year's total payment was 5.1p.

● comment

The recovery at Baker Perkins has been partially spoilt by sight of further losses in the U.S. The relocation of the baking machinery plant was a major upset in 1982-83 but one BP Inc should have got over this period. So further losses of between £2m and £2½m, against £1.4m, mainly from baking machinery are as unexpected as they are unwelcome. Productivity is gradually coming right, though hopes for a *second* half profit will not offset the miserable interim. In contrast, the UK is progressing at an amazing pace. Profits are up more than four-fold despite £600,000 of redundancy costs—the first tranche of close to £1m for the year—against cut-backs at tha packaging machinery plant, an overdue event held at bay by an exceptional Russian order. The upturn at home is largely thanks to buoyant demand from the U.S. for printing and biscuit machinery. Demand there, plus the recovery from BP Inc, should power group profits back up to £7m. Assuming a 20 per cent tax charge the p/e at 114p, up 14p, is 6.7. Next year profits could top £11m dropping the p/e to only 5.3 on a more normal 35 per cent tax take.

West's Grp. climbs to £858,000 at midway

A SUBSTANTIAL increase from £126,000 to £858,000 in pre-tax profits is reported by West's Group International, the Cheshire civil and mechanical engineering company, for the 27 weeks to October 2 1983.

The directors say the improvement came from three sources—firstly, a return to profit of £179,000 (£328,000 loss) in the process engineering division; *secondly*, s continuing improvement in the industrials division, with profits up from £99,000 to £264,000, and thirdly, s reduction in interest costs from the company's lower borrowings.

Following the "raid" by Espley-Tyas Property Group in November, which netted 14.9 per cent of the West equity, Mr I. H. Phillipps, the chairman, says that at the time of writing the interim report, no takeover bid had arrived, but if it does, shareholders may be assured that be will write to them with a full analysis of its implications.

In tha meantime, he recommends shareholders to continue to await events.

The group is resuming interim dividends with a payment of 2.5p, and the directors say total ordinary dividends for 1983-84 are expected to exceed the level of 4.2p paid in 1982-83 from pre-tax profits of £492,000.

Turnover was down from £28.07m (for 26 weeks) to £27.26m. Trading profits were more than doubled at £947,000 (£462,000), and interest charges were considerably lower at £89,000 compared with £336,000.

No trading results from the recently acquired A. R. Moxham (Crowthorne) are included in the present figures, but tha board says it is pleased with the purchase and is confident that this company will make s valuable contribution to the second half.

After tax down from £331,000 to £259,000, net profits came out at £599,000 against losses of £205,000. There was an extraordinary credit of £70,000 (£124,000 debit). Earnings per share were 7.6p against losses of 2.5p.

As part of tha ongoing reduction of group overheads, the head office at Wilmslow has been vacated. The company has disposed of the lease.

● comment

West's has had a bumpy ride lately—though no worse, certainly, than the rest of its sector—and there are more bumps ahead. The improvement in the process engineering and industrial divisions is primarily due to last year's loss elimination, though DSF Refractories did better in a tough market. In civil engineering, though, which is by far the biggest profit contributor, the second half looks like heavy going. In the first half, the loss of Iraqi business was offset by good business in UK construction. But in August the big contract for the Colwyn Bay bypass came to an end, and since then UK contract work seems to have dried up. Being in the piling and foundations business, West's will be early into any upturn, but no-one is yet forecasting when that upturn will come. The bright spot for shareholders is that the downturn in the UK construction industry was already apparent when Mr Shuck made his raid, so these figures should not change anything on the bid front. But at 108p—up 4p—the shares are essentially for bid speculators.

Whitecroft lifts interim as profits expand

Expansion has been shown by *Whitecroft in the half year* ended September 30 1983, with turnover up 9 per cent to £43.7m and profit before tax ahead by 13 per cent to £2.74m. And the interim dividend is lifted from 1.65p to 2p net.

Mr John Tavare, chairman, says the group is more firmly based to generate growth, and this will be reflected in the outcome for the full year. In the year ended March 31 1983 group profit was £5.3m

A split of the turnover and profit shows (in £000s):—textiles £10,094 (£9,259) and £1,231 (£1,143); building supplies £23,005 (£22,786) and £975 (£1,006); engineering £10,601 (£7,973) and £985 (£834); parent company loss £447 (£558).

Textiles benefited from an uplift in retail activity. In building supplies the existing UK builders merchants did 13 per cent better, but this was offset by reduced profit from Zimbabwe. Since the half year the group has acquired M. Wisepart, which is expected to make a minimum £700,000 in a full year.

In engineering there was a significant contribution from Simplex Lighting.

Sangers cuts loss and starts preparing for the future

A FURTHER reduction in losses has been achieved by Sangers in the half year ended August 31, 1983. The company has also agreed to dispose of the Solidyne operations, and is investigating the possibility of floating Sangers Photographic on the USM next year while *retaining* a majority stake.

Mr John Briggs, the chairman, says Sangers has a firm financial base. The next stage is to build upon this by acquisition and several opportunities are being pursued.

For the half year the loss before tax was cut from £416,000 to £157,000, after charging the cost of maintaining vacant premises £348,000. Further efforts have been made to eliminate this burden and offers have been received for a number of residual premises. Accordingly, Mr Briggs anticipates that the net outflow on property will be "substantially reduced" in the second half.

The Sangers Photographic business has traded "extremely profitably" and beat its budgeted results. This was due partly to the consolidation of the Fallowfield business which was acquired in October 1982, and the investment in new *computer* systems. The sale of the Northern Ireland Pharmaceutical division to realise £921,000 was completed in July. The group is now completely out of pharmaceutical wholesaling operations.

Turnover for the half year came to £17.04m (£20.94m) and the gross profit to £2.39m (£2m). A split of the turnover and the loss before tax shows (in £000s): photographic and pharmaceutical wholesaling £14,955 (£14,644) and profit £361 (£251); agency operations nil (£6,295 and loss £379); Solidyne £1,784 and profit £50 (no comparison); property operations and other activities £305 and loss £348 (no comparisons); head office costs £258 (£120); less interest credit £38 (charge £168).

After tax £22,000 (nil), extraordinary charges £80,000 (£271,000), and minorities £20,000 (nil), the net loss is £279,000 (£687,000) or 1.3p (4.4p) per share.

The Solidyne operations, consisting of Colpitt BV of the Netherlands and the net operating assets of Thermex and Thermatron of the U.S., are to be acquired by Stanelco (a USM company, in which the Sangers *group* holds a 60 per cent equity interest through Solidyne Inc. These net assets were over $2m at June 30 1983

Sangers came by the interest in Solidyne when it bought Technology Investments, of Bermuda, from Mr Tom Whyte. This was effected by an exchange of shares and pushed up Mr Whyte's beneficial holding to nearly 40 per cent of the Sangers' equity. This holding is held by Paget Agencies, Mr Whyte's company in Bermuda.

In the year ended June 30 1983 Stanelco turned round from a loss of £82,000 to a profit of £74,000, reflecting the new marketing strategies and cost controls implemented by new management. Stanelco manufactures industrial high frequency thermal processing equipment; turnover was £1.25m (£737,000). In view of the company's prospects and working capital needs related thereto, no dividend is proposed.

Certain technology which has been jointly developed with the Atomic Energy Authority is *expected to be released this year* for commercial exploitation.

Lucas will continue to reduce its workforce

TAKING ACCOUNT of measures already implemented to restructure resources, Lucas Industries looks to the current year as being a period of consolidation with a modest improvement in performance in the first half and a stronger recovery in the second. Last year there was a £5.2m loss in the first and a £7.3m profit in the second half.

This was stated by the chairman, Mr Godfrey Messervy, at the company's annual meeting held yesterday. He spoke of the reduction in the workforce and said in order to attain worldwida competitiveness: "We must continue to reduce the number of our employees, even though we much regret the cost in human terms."

The programme of cost cutting and productivity improvement would be intensified to enhance further the group's profitability—tha aim being to achieve worldwide competitiveness in all operations. With the help of the workpeople "we are determined to achieve these objectives and we plan continued progress so that our financial performance reaches acceptable levels," the chairman told the meeting.

Overall, market and operating conditions would be better in 1983-84 than they were last year.

Leigh Interests in profit

FOR THE half year to end-September 1983 Leigh Interests swung back into profit and in view of the turnround the directors are lifting the interim dividend from 0.5p to 0.75p net per 5p share.

Mr William Pybus, the chairman, says the directors' confidence in the plan to achieve a return to profits at the *latest* in the current year has "already proved justified."

They are continuing with the policy of tha divestment of businesses which are outside the mainstream waste activity or which do not make an adequate return on capital employed.

For the opening half profits totalled £304,000 at the pre-tax level. This compares with losses of £127,000 for the same period last year and a £445,000 deficit in the second six months.

Sales improved from £13.91m to £15.85m. Earnings emerged at 1.5p (2.4p loss) per share after aa higher tax charge of £158,000 (£112,000).

Dividends will absorb £75,000 (£50,000).

In pursuance of the divestment policy the Ford main dealership of Muttershead & Smith, Birmingham, was sold earlier this month for £200,000 cash. Parent company loans of £350,000 are to be repaid over work seems to have dried up.

Croda Intl.

Chemical processor Croda International is to invite holders of the 10¾ per cent unsecured loan stock 1991-96 to approve a proposal whereby an outstanding £353,116 nominal of stock will be repaid at £105 per £100 nominal and so in proportion for any greater or smaller amount, plus accrued interests. If the resolution is approved at an EGM *on January 4* repayment will be made on that day.

Charterhall

The £7.85m rights issue announced last month by natural resources concern Charterhall has been undersubscribed. About 85 per cent of the 13.2m new shares were taken up. The balance have been sold in the market at s premium of 3.175p per share.

Morland

The annual meeting of Morland is to be held on Thursday January 19 next, and not this coming Saturday as reported in last week's Financial Diary.

LADBROKE INDEX
748-753 (+4)
Based on FT Index
Tel: 01-493 5261

Granville & Co. Limited

Licensed Dealer in Securities

27/28 Lovat Lane London EC3R 9EB Telephone 01-621 1212

Over-the-Counter Market

1982-83 High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
142	120	Ass. Brit. Ind. Ord.	121	—	6.4	5.2	7.0	9.2
158	117	Ass. Brit. Ind. CULS	132	—	10.0	7.6	—	—
78	57	Airsprung Group	76	—	6.1	8.0	21.7	21.7
46	21	Armitage & Rhodes	28	—	—	—	—	—
254	98½	Bardon Hill	254	+2	7.2	2.5	10.4	21.1
54	53	Bray Technologies	54	—	2.7	5.0	8.7	10.8
151	100	CCL 11pc Conv. Pref.	146	+2	15.7	10.5	—	—
270	100	Cindico Group	100	—	17.8	17.8	—	—
66	45	Deborah Services	51	—	6.0	11.8	—	—
176	77	Frank Horsell	176	—	—	—	7.4	12.1
165	75½	Frank Horsell Pr Ord 87	165	—	8.7	5.2	6.9	11.4
83	39	Frederick Parker	39	—	7.1	18.2	2.4	3.8
55	32	George Blair	33	—	—	—	—	—
100	50	Ind. Precision Castings	50	—	7.3	14.6	13.9	17.2
220	100	Isis Conv. Pref.	220	+2	17.1	7.7	—	—
114	47	Jackson Group	114	—	4.5	3.9	6.0	11.7
237	111	James Burrough	219xd	—	11.4	5.2	12.1	12.4
275	275	Minihouse Holding NV	275	—	4.0	1.5	20.7	20.7
260	121	Robert Jenkins	121	−1	20.0	16.5	14.1	9.4
83	54	Scruttons "A"	61xd	−1	5.7	8.3	10.2	7.3
167	76	Torday & Carlisle	76	—	2.9	3.5	—	—
430	385	Trevian Holdings	430	—	—	—	8.5	5.0
29	17	Unilock Holdings	17	—	1.0	5.8	11.1	16.2
90	64	Walter Alexander	87	—	6.8	7.8	7.6	10.1
276	214	W. S. Yeates	248	—	17.1	8.9	3.8	7.9

RHP Group plc

Preliminary Results 52 weeks to 30th September 1983

- Improved results in second half
- Cash inflow of over £6m
- Substantial improvement in debt/equity ratio
- Excellent results from Electrical activities
- Upturn in mechanical engineering still awaited
- New prospects for further Electrical growth

	1983 1st Half Unaudited £000	1983 2nd Half Unaudited £000	1983 Year £000	1982 Year £000
Sales	51,196	51,183	102,379	109,455
Operating Profit	754	2,727	3,481	7,602
Exceptional Items	(235)	(108)	(343)	(605)
Profit before Interest	519	2,619	3,138	6,997
Interest	(1,418)	(1,060)	(2,478)	(3,064)
Profit before Tax	(899)	1,559	660	3,933

rhp

Copies of the full Report and Accounts are available from. RHP Group plc, P.O. Box 20, Pilgrim House, High Street, Billericay, Essex CM12 9XY.

Dobson Park hit by £4.2m drop in mining equipment

DESPITE A slump of over £4m by its mining equipment activities Dobson Park Industries ended the 52 weeks to October 1 1983 with pre-tax profits only £988,000 lower at £8.09m.

All other sectors of the group showed improved performances with power tools swinging from losses of £538,000 to profits of £1.75m. Operating expenses were cut sharply, but redundancy and reorganisation costs rose by £0.81m.

The dividend is held at 5.21p net by the same-again final of 3.31p.

The overall result was slightly better than had been expected. At six months profits totalled £3.89m and the directors anticipated similar figures for the second half. In the event, they amounted to £4.2m.

Group turnover for the year dropped from £182.68m to £169.39m, but at the operating level profits were little changed at £7.93m, compared with £8.1m, before deducting interest charges of £2.19m (£2.14m) and operating expenses of £31.54m, against £33.52m previously.

Associate companies added £319,000 (£220,000) but investment income dropped from £3.11m to £2.35m. Redundancy and reorganisation costs totalled £2.37m, compared with £1.56m.

A divisional breakdown of pre-tax profits shows: mining equipment activities £3.38m (£7.61m), Fletcher Sutcliffe Wild companies £1.44m (nil), power tools ing £1.03m (£1m) and property and investment management £498,000 (£284,000).

Operating profit by geographical area shows: UK £9.88m (£7.27m); Europe (other than UK), £630,000 loss (£512,000 profit); North America, £1.17m (£158,000) loss; Australasia, £75,000 loss (£612,000 profit); Africa, £253,000 (£612,000) loss; India, £205,000 (£164,000) profit; and South America, £19,000 (£43,000) loss. Export sales from the UK (including sales to overseas subsidiaries) amounted to £26.47m (£34.37m).

Tax for the year took £3.16m (£3.97m) and below the line minorities added £243,000 (£2,000 charge). Extraordinary debits totalled £355,000 (£1.01m)—these comprised principally £533,000 costs of closure of the Wolf South African subsidiaries.

Earnings emerged at 6.2p (same) per 10p share pre-extraordinary debits.

At year-end consolidated borrowings exceeded consolidated cash balances by £7.91m (£2.99m net cash balances).

● comment

Immediately prior to yesterday's announcement, Dobson Park Industries' share price was on a prospective yield of close to 13 per cent. The nervousness implicit in that figure was quickly dissipated by the maintained—and covered—dividend, and the shares leapt 7½p to 69p.

In the wake of the Fletcher Sutcliffe Wild acquisition, Dobson has slipped into a position of net debt, but even so its balance sheet is probably the envy of many rivals. FSW looks to have made a profit, net of financing charges of over £400,000. Additional support has come from the power tools division, though that £2.3m turnround seems to have been almost entirely the benefits of cost cutting. Similar rationalisation in the U.S. mining machinery business was not sufficient to offset the rapid decline of its markets, and consequent heavy losses. Most of the 600-700 redundancies over the period have been absorbed on the UK mining side, where Dobson now feels it is operating at a capacity that reflects demand levels. The company seems to expect that the current year will mark an end to the downward spiral in profits, but even so, the yield of 11.3 per cent is the support for the shares.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Beechwood, Bristol Evening Post, Doornkraal Gold Mining, Ooamfontein Gold Mining, Driefontein Consolidated, G. M. Firth, Imperial Continental Gas, Intasun Leisure, Kloof Gold Mining, Meyer International, Premier Consolidated Oilfields, R.F.D., Triplex Foundries, Venterspost Gold Mining, Western Motor, Wight Collins Rutherford Scott.

Finals—Associated Paper Industries, Berna-Anderson, McCorquodale, NSS Newsagents, Plaxton's (GB), Smith and Nephew.

FUTURE DATES

Interims—	
Austin (James) Steel	Dec 20
Boardman (K.O.) International	Dec 15
Centreway Industries	Dec 14
Centreway Trust	Dec 14
G.T. Japan Investment Trust	Jan 23
Galter (A. and J.)	Jan 18
Munton Brothers	Jan 10
Routledge and Keegan Paul	Dec 14
TR Trustees Corporation	Dec 15
Finals—	
Albion	Dec 15
Leech (William)	Dec 15
United Spring and Steel	Dec 16

Property sales boost Caffyns

Lower interest charges and a higher surplus from property disposals enabled Caffyns, the automobile agent and engineer, to lift its pre-tax profits from £60,538 to £473,794 for the half year to end-September, 1983.

Turnover for the period expanded by £10m to £45.17m and at the trading level profits emerged at £1.07m, compared with £930,115 previously.

Pre-tax results were struck after deducting £130,129 (£129,146) for depreciation, £571,061 (£664,475) for interest charges and a £143,790 (£149,096) contribution to the staff pension fund. Included was a £248,142 (£73,140) surplus from the disposal of properties.

The net interim dividend is being held at 2.2p.

Hazlewood lifts profits by 41% at six months

THE BENEFITS of capital investment and improved productivity showed through in the half-year to September 30 1983 at Hazlewood Foods, where pre-tax profits rose by 41 per cent from £755,000 to £1.06m on turnover 40 per cent higher at £18.28m.

Earnings per 20p share jumped from 9.96p to 13.58p and the interim dividend is being stepped up by 19 per cent from 4p to 4.75p net. Last year a total payment of 9.5p was made on profits of £2.02m (£1.42m).

At the mid-term trading level an advance from £1.11m to £1.47m was achieved before interest of £409,000 (£355,000). Tax took £102,000 (£86,000) for a net outcome of £959,000 (£669,000) and, with preference dividends costing £3,000 and the ordinary £233,000 (£183,000), the amount retained was £723,000 (£483,000).

In July the group acquired G. Henshall and Sons, a pickle manufacturer based in Manchester. The consideration was £1.08m and the directors report that the company has continued to perform up to expectations since joining the group.

The maintenance of growth profile, they say, underlines the strength of the group's policies of organic growth within the base business and selective acquisitions

Gencor to adopt a new management structure

BY KENNETH MARSTON, MINING EDITOR

HAVING APPARENTLY failed in its year-long search for a new chief executive, the General Mining Union Corporation (Gencor) Afrikaner mining finance group is to be run by its five most senior managers, reports Bernard Simon from Johannesburg. The main operating divisions "will in future function with greater independence and authority," says Gencor.

Mr Ted Pavitt, the present chairman who is aged 64, will relinquish his executive duties next August but will remain on the board as non-executive chairman.

The five executive directors who will share executive responsibility for running Gencor when Mr Pavitt steps down are: Mr Johan Fritz (gold and other mining), Mr George Clark and Mr Basil Landao (industries), Mr Tom de Beer and Mr Hugh Smith (finance and investments and administration).

Mr Pavitt took over as head of Gencor, South Africa's second largest mining group after Anglo American Corporation, in September 1982. This followed the abrupt resignation of Dr Wim de Villiers who was involved in a heated disagreement with the group's controlling shareholder, Sanlam.

Over the past 10 years the group's net asset value has increased to R2.5bn (£1.43bn) from R143m, while the book value of total assets has expanded to R3.9bn from R203m and annual earnings have grown to R267m from R10m.

Gencor says that this growth, has brought a diversity of investments and activities that could lead to management problems. So Gencor is to decentralise, believing that this is the time to delegate "greater autonomy and responsibility to the existing executive directors."

Lac doubles its Hemlo gold reserves

CANADA'S Lac Minerals appears to have more than doubled its ore tonnage and, at the same time, improved the overall gold grade at its Williams property in the Hemlo gold camp, reports John Soganich from Toronto.

Latest drilling has now indicated possible ore reserves of 32m short tons with an average gold grade of 0.2 oz (6.2 grammes) per ton. In addition some 10m tons of ore is indicated from a visual examination of drill core from the westward extension of the ore zone.

Assays from the drilling are being assessed prior to calculation of the grade. Drilling continues and the ore deposit remains open both to the west and at depth.

The previous estimate of ore reserves at this property was of 15.4m tons grading an average 0.19 oz gold in the main zone plus a probable 3.8m tons of near-surface material grading an average 0.18 oz gold.

The latest estimate of Lac's ore reserves at the Williams property brings the total drill-indicated at the Hemlo camp to some 76m tons. It will almost certainly turn out to be considerably higher when further new estimates are announced by the other leading groups there, Noranda and Teck.

MINING NEWS IN BRIEF

CANADA'S Northgate Exploration announces that it has now completed the previously reported sale of its 35 per cent stake in Patino Mining NV of the Netherlands for C$39m (£21.7m) to Patino Antilles. The entire proceeds have been used to reduce the indebtedness of Northgate which retains the three Canadian precious and base metal mines purchased from Patino Mining NV in September 1981.

* * *

Australia's Paringa Mining and Exploration reports encouraging values from latest drilling of the Hellyer prospect, 3km north of the Que River base metal mine in Tasmania. Hellyer comes under the MacKintosh West joint venture in which Paringa has a stake of 10 per cent and Aberfoyle holds 90 per cent.

Sulphides have been intersected over a strike (lateral direction) length of 700m and occur at depths of between 100m and 300m. Base metal mineralisation of widths (thicknesses) of 10m or more was intersececed in six of the 12 holes drilled.

Ore grades varied from 13m of core which assayed 2 per cent copper to a stretch of 42m which contained 12 per cent combined lead and zinc, 125 grammes per tonne silver and 3.3 grammes gold.

* * *

The South African Rand Mines group announced in London last night that its gold-producing Blyvooruitzicht mine is reducing its interim dividend for the current year to June 30 to 85 cents (48p). It compares with the 1982-83 interim of 115 cents which was followed by a final of 155 cents.

* * *

The veteran East Rand Proprietary and Durban Deep gold mines are again declaring no dividends; their last payments were for 1981.

* * *

A net loss of K1.5m (£750,000) is reported for the September quarter of this year by Zambia Consolidated Copper Mines. It follows a profit of K11.5m in the previous three months, thus reducing the net profits for the first half of the current year to next June to K10m compared with a net loss of K76.7m in the same period of last year.

ZCCM increased its profit on metal trading in the latest quarter to K67.4m thanks to higher sales of copper and cobalt. On the other side of the coin, the rate of mineral export tax was doubled to 8 per cent, lifting the amount payable to K21.9m, and there were increases in interest charges and exchange losses.

Two insurers wound up

Petitions have been presented for the compulsory winding up of Cavalier Insurance Co. and Universal Insurance Agency. The Official Receiver has been appointed as provisional liquidator pending the hearing of the petitions on January 23.

Cavalier Insurance Company was originally incorporated under the name "The South Eastern Plate Glass Insurance Co." in 1899. It acquired its present name in 1977.

Cavalier was engaged in property insurance in the UK prior to 1967 when authorisation requirements for insurance companies were introduced. It received authorisation to continue in this class of business.

The powers of the Receiver are restricted to protecting and preserving the assets of the company pending the disposal of the petition.

This Prospectus includes information given in compliance with the Regulations of the Council of The Stock Exchange in London, for the purpose of giving information to the public with regard to the Kingdom of Spain and the Stock. The Kingdom of Spain has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other facts the omission of which would make misleading any statement herein whether of fact or of opinion. The Kingdom of Spain accepts responsibility accordingly.

Dated 13th December, 1983

Kingdom of Spain

ISSUE ON A YIELD BASIS OF

£50,000,000 Loan Stock 1988

payable as to £30 per cent. of the nominal amount on application and as to the balance of the issue price not later than 21st March, 1984 with interest payable half-yearly on 21st June and 21st December.

The Issue has been underwritten by

Samuel Montagu & Co. Limited

Baring Brothers & Co., Limited
Grindlay Brandts Limited
Kleinwort, Benson Limited
Morgan Grenfell & Co. Limited
S. G. Warburg & Co. Ltd.

County Bank Limited
Hambros Bank Limited
Lloyds Bank International Limited
J. Henry Schroder Wagg & Co. Limited
Banco de Bilbao, S.A.

Application has been made to the Council of The Stock Exchange in London for the £50,000,000 Loan Stock 1988 (the "Stock") to be admitted to the Official List for quotation in the Gilt-edged market.

The Stock will be available either in registered form, transferable in amounts and multiples of one penny, or, at the option of the holder, in bearer form, represented by bearer bonds which will be available in the denomination of £5,000. Stock in registered form may be exchanged for bearer bonds and *vice versa* at any time after 11th April, 1984. Renounceable allotment letters (partly paid) in respect of the Stock will be despatched on 21st December, 1983. Certificates in respect of Stock in registered form and bearer bonds in respect of Stock in bearer form will be available on 11th April, 1984 provided the balance of the moneys payable has been duly paid.

THE APPLICATION LIST WILL OPEN AT 10.00 A.M. (LONDON TIME) ON THURSDAY, 15th DECEMBER, 1983 AND WILL CLOSE LATER THE SAME DAY.

PROCEDURE FOR APPLICATION

Each application must be made in the form of the application form provided herewith and must be lodged with Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU not later than 10.00 a.m. (London time) on Thursday, 15th December, 1983 and must comply with the provisions of "Terms of Payment in respect of Applications" below.

Applications for Stock must be for a minimum of £100 nominal amount of Stock and thereafter for the following multiples of Stock:—

Amount of Stock applied for	*Multiple*
£100—£1,000	£100
£1,000—£10,000	£1,000
£10,000—£100,000	£10,000
£100,000 or greater	£100,000

Samuel Montagu & Co. Limited, on behalf of the Kingdom of Spain ("Spain" or the "Kingdom"), reserves the right to reject any application and to accept any application in part only. If any application is not accepted, the amount paid on application will be returned by post at the risk of the person submitting the application and if any application is accepted for a smaller amount of Stock than that applied for, the balance of the amount paid on application will be so returned without interest, and in the meantime all such amounts will be held in a separate account.

Samuel Montagu & Co. Limited, on behalf of the Kingdom, will announce the basis of allotment by 9.30 a.m. (London time) on Friday, 16th December, 1983. It is expected that confirmation of allotments will be despatched on that day. Acceptances of applications for Stock will be conditional *inter alia* upon the Council of The Stock Exchange admitting the Stock to the Official List on or before Wednesday, 21st December, 1983. The Underwriting Agreement is subject to certain conditions and Samuel Montagu & Co. Limited, on behalf of the Underwriters, or in certain circumstances the Kingdom may terminate the Underwriting Agreement if such conditions are not fulfilled. If the Underwriting Agreement is so terminated, no applications for Stock will be accepted or, as the case may be, acceptances of applications for Stock will become void (see "General Information — Underwriting Arrangements" below).

TERMS OF PAYMENT IN RESPECT OF APPLICATIONS

Each application, unless made by a recognised Bank or Stockbroker taking advantage of the alternative method of payment described below, must be accompanied by a cheque made payable to "Lloyds Bank Plc" and crossed "Spain Loan" representing payment at the rate of £30 per cent. of the nominal amount of Stock applied for. Such cheques must be drawn on a branch in the United Kingdom or the Channel Islands of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses.

The alternative method of payment is available only to recognised Banks or Stockbrokers who irrevocably engage in the application forms lodged by them to pay Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU for credit to the account designated "*Spain Loan — Alternative Payment*" by 10.00 a.m. (London time) on Wednesday, 21st December, 1983 the amount in Town Clearing Funds representing payment at the rate of £30 per cent. of the nominal amount of the Stock in respect of which their applications shall have been accepted.

Samuel Montagu & Co. Limited, on behalf of the Kingdom, reserves the right to instruct Lloyds Bank Plc to retain the relevant allotment letters and to delay the return of surplus application moneys (if any) pending clearance of applicants' remittances.

Settlement of the balance due on 21st March, 1984 may be made either by means of a cheque, drawn as aforesaid, received by Lloyds Bank Plc not later than 3.00 p.m. on 19th March, 1984, or, for payments of £10,000 or more, by means of Town Clearing Funds (as defined below), to be received by Lloyds Bank Plc not later than 10.00 a.m. on 21st March, 1984. Any amount paid in advance of its due date shall not bear interest or be entitled to any other payment. Failure to pay such balance when due will render all amounts previously paid liable to forfeiture and the allotment liable to cancellation. Interest at the rate of two per cent. per annum above the Base Rate of Lloyds Bank Plc from time to time may be charged on such balance if accepted after its due date. The Kingdom further reserves the right, in default of payment of such balance, to sell any such Stock fully paid for its own account.

The expression "recognised Bank or Stockbroker" shall mean any organisation which is a recognised bank for the purposes of the Banking Act 1979 and any firm of Stockbrokers which is a member of The Stock Exchange of the United Kingdom and the Republic of Ireland and such other banks or brokers as Samuel Montagu & Co. Limited, on behalf of the Kingdom, shall at its absolute discretion think fit for the purposes of the issue.

The expression "Town Clearing Funds" shall mean a cheque or banker's payment for £10,000 or more drawn on a Town Clearing Branch of a bank in the City of London.

DELIVERY

Renounceable allotment letters (partly paid) in respect of Stock allotted will be despatched on Wednesday, 21st December, 1983 by first class post to, and at the risk of, the person submitting the application in accordance with the *instructions stated on the application form*. Alternatively, a recognised Bank or Stockbroker (as defined above) using the alternative method of payment may request that the renounceable allotment letter be retained at Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU for collection between 3.00 p.m. and 5.00 p.m. (both London time) on Wednesday, 21st December, 1983. Any uncollected allotment letters will be despatched by first class post after 5.00 p.m. on that day.

Allotment letters may be split up to 3.00 p.m. (London time) on 19th March, 1984 in accordance with the instructions contained therein into denominations or multiples of £100 nominal amount of Stock.

Unless a duly renounced allotment letter with the registration application form and/or the form of application for Stock in bearer form duly completed is received by Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU on or before 21st March, 1984, the Stock represented by such allotment letter will, provided it is fully paid, be registered in the name of the original allottee and *thereafter* Stock in *registered form will be transferable only* by *instrument* of transfer.

Allotment letters will provide for Stockholders to elect to take delivery of Stock in bearer rather than registered form. Stock in bearer form will be represented by bearer bonds which will be available in the denomination of £5,000.

Each Stockholder who elects in the allotment letter to receive bearer bonds may elect to receive them in one of the three following ways:

(a) By collection from the offices of Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU or Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA.

(b) By post at the risk of the applicant. Lloyds Bank Plc will insure any package destined for an address in the United Kingdom provided a cheque is enclosed with the allotment letter made out for 50p per £5,000 nominal amount of bearer bonds to be sent (minimum payment £2). Insurance rates for other countries will be quoted on request.

(c) By delivery to an existing account with Euro-clear Operations Centre or CEDEL S.A.

Bearer bonds are expected to be available for delivery on and after 11th April, 1984.

Stock Certificates in respect of Stock in registered form will be despatched to the registered holders (in the case of joint holders to the first named) at their registered addresses, at their risk, by Lloyds Bank Plc on 11th April, 1984. After such date the relevant allotment letters will cease to be valid for any purpose.

No Stock Certificate will be issued and no bearer bond will be made available unless the Stock to be represented thereby is fully paid.

DETERMINATION OF RATE OF INTEREST AND ISSUE PRICE

The Stock will have attached such rate of interest and be issued at such price as will result in the Stock having a gross redemption yield determined on the basis described below (the "Issue Yield").

The Issue Yield shall mean the sum of 0.90 per cent. and the gross redemption yield, rounded to three places of decimals (with 0.0005 being rounded upwards), on 11½ per cent. Treasury Stock 1989 at 3 p.m. (London time) on Wednesday, 14th December, 1983. Such gross redemption yield will be expressed as a percentage and will be calculated on the basis set out under "Calculation of Gross Redemption Yield" below, in connection with which the price cum dividend of such Treasury Stock will be the price determined by Samuel Montagu & Co. Limited to be the arithmetic mean of the bid and offered prices quoted on a dealing basis for settlement on the following business day by three jobbers in the Gilt-edged market.

The rate of interest attaching to the Stock will be determined by Samuel Montagu & Co. Limited and will be an integral multiple of one-quarter of one per cent. and will be as high as possible consistent with an issue price as near as possible to, but not greater than, par. The issue price will also be determined by Samuel Montagu & Co. Limited and will be expressed as a percentage rounded to three places of decimals (with 0.0005 being rounded downwards).

It is intended that notice of the Issue Yield, rate of Interest and issue price will be published in the *Financial Times* or *The Daily Telegraph* on Thursday, 15th December, 1983.

CALCULATION OF GROSS REDEMPTION YIELD

The gross redemption yield will be calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries Vol. 105, Part 1, 1978, Page 18 as follows:—

"Redemption yields are calculated taking accrued interest as part of the price and using a true compound interest formula i.e. finding the value of v to give $f(v) = 0$ where

$$f(v) = v^p \cdot \left(C_1 + C\frac{(1-v^n)v}{(1-v)} + Rv^n \right) - P - \sum_i B_i \cdot v^{b_i}$$

and v is the discounting factor per period (e.g. half-year),
R is the redemption amount,
C is the coupon amount per period,
C_1 is the actual coupon due at the next payment date (which may be zero if the stock is already quoted 'ex dividend', or may be a first fractional payment),
n is the integral number of periods till redemption from the next payment date,
p is the fractional period till the next payment date,
P is the price actually payable (with 'accrued interest' not 'stripped out', but, for shorts, added in),
B_1, B_2 etc. are outstanding calls on a partly-paid stock,
b_1, b_2 etc. are the fractional periods till these calls are due.

When the root of $f(v)$ has been found the gross yield, y, convertible half-yearly, is obtained from

$$y = 200(1/v^{k/2} - 1) \text{ per cent.}$$

where k is the frequency of coupon payment per year."

PARTICULARS OF THE STOCK

The issue of the £50,000,000 Loan Stock 1988 (the "Stock") of Spain was authorised by resolution of the Council of Ministers passed on 26th October, 1983 and will be constituted by a Deed Poll to be entered into by Spain. The following includes a summary of, and is subject to, certain detailed provisions of the Deed Poll, copies of which will be available for inspection at the offices of the Registrar, Exchange Agent and Paying Agents referred to below.

Status

The Stock will be a direct, unsecured obligation of Spain and will rank, subject to "Negative Pledge" below, at least *pari passu* with all other existing and future unsecured Indebtedness of Spain. "Indebtedness" means all indebtedness of Spain in respect of:—

(a) moneys borrowed by Spain; and

(b) guarantees given by Spain for moneys borrowed by other persons.

Negative Pledge

Spain will undertake that so long as the Stock remains outstanding (as defined in the Deed Poll) it will not create any mortgage, pledge or other charge upon the whole or any part of its present or future revenues, property or assets to secure any present or future External Indebtedness without securing the outstanding Stock *pari passu* therewith. "External Indebtedness" means Indebtedness which is expressed or denominated in a currency or currencies other than pesetas or which is, at the option of the person entitled thereto, payable in a currency or currencies other than pesetas, or which is payable at a rate or in an amount determined by reference to a currency or currencies other than pesetas.

Interest

The Stock will bear interest from 21st December, 1983 at a rate per annum to be determined in accordance with "Determination of Rate of Interest and Issue Price" above. Interest will be payable (less, where applicable, United Kingdom income tax) by equal half-yearly instalments on 21st June and 21st December (the "Interest Payment Dates") in each year except that the first payment of interest in respect of the period from 21st December, 1983 to 21st June, 1984 will be made on 21st June, 1984 and will be calculated using the following formula:—

$$£I = \left(\frac{91}{365} \times \frac{30}{P} \times R \right) + \left(\frac{92}{365} \times R \right)$$

where £I is the first payment of interest on £100 nominal amount of Stock,
R is the percentage rate of interest attaching to the Stock, and
P is the issue price.

Interest will cease to accrue on the Stock on the due date for redemption thereof unless payment of principal is improperly withheld or refused.

Form

The Stock will be available either in registered form ("Registered Stock") or, at the option of the person entitled thereto, in bearer form ("Bearer Stock"). On or after 11th April, 1984 and subject as provided below, Registered Stock may be exchanged in nominal amounts of £5,000 or integral multiples thereof for Stock in bearer form and Bearer Stock may be exchanged for Registered Stock. Bearer Stock will be represented by bearer bonds which will be available in the denomination of £5,000 each (the "Bearer Bonds") and on issue an interest coupon (a "Coupon") will be attached to each Bearer Bond in respect of each Interest Payment Date following the date of issue of such Bearer Bond, provided that, in the case of a Bearer Bond issued pursuant to an application received between the day following a Record Date (as defined below) and the immediately succeeding Interest Payment Date (inclusive), no Coupon will be attached in respect of that immediately succeeding Interest Payment Date.

Applications for Bearer Stock made before 11th April, 1984 (being the date of the issue of definitive documents of title) must be made on or before 21st March, 1984 in accordance with the instructions contained in the allotment letter which will be despatched to persons to whom Stock is allotted (see "Delivery" above). On or after such date of issue of definitive documents of title, applications for exchange must be made on the forms available at the specified offices of each of the Registrar, the Exchange Agent, the Principal Paying Agent and the other Paying Agents referred to below and must be made by the registered holders of Registered Stock or the holders of Bearer Bonds, as the case may be, lodging such forms duly completed at the specified office of the Exchange Agent. If any such application is lodged on or before 20th June, 1984, no charge will be made in respect of such exchange; after 20th June, 1984 such exchange will only be made on payment of such costs and expenses as may be incurred in connection therewith.

An application for Bearer Bond(s) in exchange for Registered Stock shall have attached thereto the Stock Certificate(s) to which such application relates and an application for Registered Stock in exchange for Bearer Bond(s) shall have attached thereto the Bearer Bond(s) to which such application relates together with all unmatured Coupons appertaining thereto. *Failing presentation of all unmatured Coupons appertaining to any* Bearer Bond, no exchange will be made in respect thereof. In the case of an application received during the period commencing on the day following a Record Date and expiring on the day before the next Interest Payment Date (both inclusive), a Coupon falling due for payment on such Interest Payment Date shall, for the purposes of this paragraph, be deemed to have matured (and shall, if surrendered with such Bearer Bond, be returned to or held to the order of the holder thereof). If the Stock Certificate attached to an application for Bearer Bonds in exchange for Registered Stock relates to a greater nominal amount of Stock than that in respect of which such application for exchange is made or relates to a nominal amount of Stock which is not an integral multiple of £5,000, the balance of such Stock will remain in registered form and a new Stock Certificate will be issued to the holder in respect thereof. All applications for the exchange of Registered Stock for Bearer Bonds and *vice versa* will be irrevocable. An application shall be deemed to be made on receipt by the Exchange Agent of a duly completed exchange form.

The initial Exchange Agent is Lloyds Bank Plc and its specified offices are at Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU and Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA or such other place or places in Great Britain as Spain may from time to time agree and notify to Stockholders in accordance with "Notices" below. Spain reserves the right to terminate the appointment of the Exchange Agent provided that no such termination shall take effect until a new Exchange Agent having a specified office in *Great Britain* has been appointed and notice of his appointment has been given to Stockholders in accordance with "Notices" below.

Bearer Bonds issued in exchange for Registered Stock and Stock Certificates in respect of Registered Stock issued in exchange for Bearer Bonds will be available for delivery at any specified office of the Exchange Agent or will be despatched, in accordance with the instructions contained in the application, in each case within three business days of receipt of the relevant application duly completed and accompanied by the relevant Bonds and Coupons or, as the case may be, Stock Certificates and subject to compliance with any applicable fiscal or other laws or regulations.

Transfer

The Register and Transfer Office for the Registered Stock will be at the specified office of the Registrar. The initial Registrar is Lloyds Bank Plc and its specified office is at Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA or such other place or places in Great Britain as Spain may from time to time agree and notify to the Stockholders *in accordance with "Notices" below*. Spain reserves the right to terminate the appointment of the Registrar provided that no such termination will take effect until a new Registrar having a specified office in Great Britain has been appointed and notice of his appointment has been given to Stockholders in accordance with "Notices" below.

Registered Stock will be transferable in amounts and multiples of one penny by an instrument in writing as if the Stock were a security to which Section 1 of the Stock Transfer Act 1963 of Great Britain applied. The Bearer Bonds will be transferable by delivery.

Redemption

(a) Mandatory Redemption

Spain will redeem the Stock (unless previously purchased and cancelled) at par on 21st December, 1988.

(b) Purchases

Spain may at any time purchase Stock in the open market at any price or by private agreement at a price (exclusive of accrued interest and

Kingdom of Spain

expenses) not exceeding 115 per cent. of the middle market quotation of the Stock on The Stock Exchange in London (or, failing such quotation, on such other stock exchange or securities market on which the Stock is listed for the time being) at the close of business on the last business day before the date of purchase, but not otherwise.

(c) Cancellation

Stock so redeemed or purchased shall be cancelled forthwith and will not be available for re-issue.

Payments

In the case of Registered Stock, payments of principal and interest will be made in pounds sterling by cheque or warrant, drawn on a Town Clearing Branch of a bank in the City of London, which will be posted, no later than the due date for the relevant payment, at the Stockholder's risk, to persons who are registered as Stockholders at the close of business on the relevant Record Date or to their nominated agents and made payable to such Stockholders. In the case of joint holders in respect of a particular holding, the cheque or warrant (made payable to all such holders) will be sent to the first named on the Register unless instructions to the contrary are given in writing to the Registrar by all such holders. The "Record Date" shall mean the thirtieth day before an Interest Payment Date but should such thirtieth day fall on a day on which the specified office of the Registrar is not open for business, then the Record Date shall mean the first day thereafter on which such specified office is open for business.

In the case of Bearer Stock, payments of principal will only be made against surrender of the Bearer Bonds and, subject as mentioned below, payments of interest will only be made against surrender of Coupons, at the specified office of the Paying Agent in London in pounds sterling or, at the option of the bearer, at the specified office of any Paying Agent by a cheque in pounds sterling drawn on, or by transfer to an account in pounds sterling maintained by the payee with, a bank in London.

Bearer Bonds should be surrendered for redemption together with all unmatured Coupons, failing which the face value of any missing unmatured Coupon (or, in the case of partial payment in respect of any Bearer Bond being made, the proportion of such face value which the amount of the partial payment bears to the principal amount due in respect of the Bearer Bonds) will be deducted from the principal sum due for payment. Any amounts of principal so deducted will be paid in the manner mentioned in the preceding paragraph against surrender of the relevant missing Coupon at any time before the expiry of a period of 10 years after the due date for such redemption, whether or not such Coupon would otherwise become void pursuant to "Prescription" below.

If the due date for payment of any amount of principal or interest in respect of any Bearer Bond or Coupon is not a day on which banks are open for business in the location of the specified office of the Paying Agent at which the Bearer Bond or Coupon in question is presented for payment and (in the case of payment by transfer to an account maintained by the payee in London as referred to above) on which dealings in pounds sterling may be carried on in both London and in such place, then the holder thereof shall not be entitled to payment of such amount until the next following such day in such place or places or to any interest or other sum in respect of such delay.

If the redemption date for any Bearer Bond is not an Interest Payment Date, interest accrued since (and including) the last preceding Interest Payment Date, and any interest accruing on any Bearer Bond the payment of which has been improperly withheld or refused, will be paid only to the holder, against surrender, of the relevant Bearer Bond.

The initial Paying Agents and their specified offices are listed below. Spain will at all times maintain a Paying Agent in London and in one country in continental Europe. The Stockholders will be notified inaccordance with "Notices" below of the replacement of any Paying Agent, any change in the specified office of a Paying Agent and the appointment of any additional Paying Agents.

Taxation

All payments of principal and interest made by Spain in respect of the Stock will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Spain, or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, or if any payment of any taxes, duties, assessments or governmental charges of whatever nature is required by any authority of or in Spain to be made in relation to any amount received or receivable in respect of the Stock (including, without limitation, any corporation tax (*Impuesto sobre Sociedades*) or individual income tax and any penalty or charges related to any such tax), Spain will pay such additional amounts as may be necessary in order that the net amounts received by the Stockholders after such withholding, deduction or payment shall equal the respective amounts of principal and interest which would have been receivable in respect of the Stock in the absence of such withholding, deduction or payment, except that no such additional amounts shall be payable in respect of any payment on any Stock:—

(i) the holder (being a person on the Register in respect of Registered Stock or, as the case may be, the holder of the relevant Bearer Bond or Coupon which is presented for payment in respect of Bearer Stock) of which is liable to such taxes, duties, assessments or governmental charges in respect of such Stock by reason of his having some connection with Spain other than the mere ownership of the Stock; or

(ii) (in the case of Bearer Bonds or Coupons) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of 30 days.

As used herein, the "Relevant Date" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount of the money payable has not been received in London by the Principal Paying Agent on or prior to such due date, the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given to Stockholders in accordance with "Notices" below.

Spain will accept all obligations to act as representative of a Stockholder not resident in Spain in connection with Spanish taxes, duties, assessments or governmental charges which are payable by him as mentioned above in this paragraph "Taxation". Spain shall deliver to the Registrar satisfactory evidence that all such Spanish taxes, duties, assessments and governmental charges have been duly remitted to the appropriate authority, together with all notices referring to the same and the Registrar will make such evidence and notices available to Stockholders at its specified office upon request by any Stockholder.

Any reference in these "Particulars of the Stock" to principal and/or interest in respect of the Stock shall be deemed also to refer to any additional amounts which may be payable under this paragraph "Taxation".

Events of Default

If any of the following events shall have occurred and be continuing, each Stockholder may, by written notice given to Spain at the specified office of the Registrar, declare his Stock due and payable and such Stock accordingly shall become immediately repayable, together with accrued interest:—

(i) if Spain shall default for more than 30 days in any payment of interest due in respect of the Stock or any part of it; or

(ii) if Spain shall default in the performance of any other covenant in respect of the Stock and such default shall continue for a period of 30 days after written notice thereof shall have been given to Spain at the specified office of the Registrar by the holder of any Stock; or

(iii) if any indebtedness for borrowed moneys of Spain shall become prematurely payable or repayable following a default and payment thereof is validly demanded or if steps are justifiably taken to enforce any security for any indebtedness for borrowed moneys of Spain or if Spain defaults in the payment or repayment of any indebtedness for borrowed moneys of Spain on the maturity thereof as extended by any days of grace originally applicable or any guarantee given by Spain of borrowed moneys of others shall not be honoured when due and called, save in each case to the extent that Spain has disputed its liability and legal proceedings have been threatened or have commenced before a competent court.

Prescription

If any principal or interest in respect of Stock which was Registered Stock on the due date for payment of such principal or interest remains unclaimed for a period of 10 years (in the case of principal) or 5 years (in the case of interest) from the later to occur of (i) such due date for payment thereof and (ii) the date on which the cheque or warrant in payment thereof was first despatched, such principal or (as the case may be) interest shall at the end of such 10-year or (as the case may be) 5-year period be forfeited and revert to Spain and the rights in respect of the person otherwise entitled thereto shall become void. Each Bearer Bond and (except as mentioned in "Payments" above) each Coupon will be void unless surrendered for payment within a period of 10 years and 5 years, respectively, from the Relevant Date (as defined in "Taxation" above) therefor.

Replacement of Stock Certificates, Bearer Bonds and Coupons

If any Stock Certificate, Bearer Bond or Coupon is mutilated, defaced, destroyed, stolen or lost it may be replaced at the specified office of the Registrar (in the case of a Stock Certificate) or of the Exchange Agent (in the case of a Bearer Bond or Coupon) upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as Spain may require. Mutilated or defaced Stock Certificates, Bearer Bonds or Coupons must be surrendered before replacements will be issued.

Title to Registered Stock, Bearer Bonds and Coupons

Spain, any Paying Agent and the Exchange Agent may treat the holder of any Bearer Bond or Coupon as the absolute owner thereof (whether or not such Bearer Bond or such Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon) for the purpose of receiving payment and for all other purposes.

Spain, the Registrar and the Exchange Agent shall be entitled to treat the person(s) whose name(s) appear(s) in the Register as having an absolute right to the Registered Stock to which such entry relates, and shall not be bound to recognise any equitable, contingent, future or partial interest or any other right in respect of such Registered Stock.

Notices

All notices will be valid if despatched by post to each Stockholder at his registered address (in the case of joint holders, to the address of the holder whose name stands first in the Register) and if published in one leading daily newspaper printed in the English language and with general circulation in London or, if this is not practicable, in a newspaper printed in the English language having general circulation in Europe. It is expected, however, that publication of such notices will normally be made in the *Financial Times*. Any such notice will be deemed to have been given on the later of the day following the date of such despatch and the date of the first such publication.

Modification of Rights

The conditions of the Stock and the provisions of the Deed Poll and the rights of the Stockholders are subject to modification by Extraordinary Resolution of the Stockholders as provided in the Deed Poll.

Governing Law, Jurisdiction and Waiver of Immunity

The conditions of the Stock and the provisions of the Deed Poll will be governed by and construed in accordance with the laws of England.

Spain will waive in any suit, action or proceeding ("proceedings") arising out of or in connection with the Stock, to the fullest extent that it is legally able to do so and without prejudice in any case to the provisions of Article 44 of the General Budgetary Law of 4th January, 1977, Number 11, any immunity to which it might otherwise be entitled in proceedings brought in the English courts and will irrevocably submit to the non-exclusive jurisdiction of such courts. Without prejudice in any case to the provisions of Article 44 of the General Budgetary Law of 4th January, 1977, Number 11, Spain will consent generally in respect of any proceedings arising out of or in connection with the Stock to the giving of any relief or the issue of any process in the English courts in connection with such proceedings including, without limitation, the making, enforcement or execution against any property of any judgment which may be given in such proceedings provided, however, that Spain shall not thereby waive any immunity from enforcement against, or execution or attachment of, any property or assets of Spain which under the Vienna Convention on Diplomatic Relations signed in 1961 or the Vienna Convention on Consular Relations signed in 1963, would be considered "inviolable" property of a "sending State". Spain will designate and appoint the most senior person in London for the time being representing Spain in diplomatic affairs as its authorised agent for the receipt of any writ, judgment or other process in connection with proceedings in England and will agree that any writ, judgment or other process shall be sufficiently and effectively served on Spain if delivered to the said representative at his official address (or, if none, his address) for the time being in England or, failing such procedure, in any other manner permitted by Spanish law or, if consistent with international practice, English law.

USE OF PROCEEDS

The net proceeds to be received by Spain from the issue of the Stock will be used by Spain to finance budgetary expenditure.

STOCK EXCHANGE DEALING

The Stock in both registered and bearer forms will be dealt in on The Stock Exchange in London in the Gilt-edged market. The Stock will normally be traded for settlement and delivery on the working day after the date of the transaction.

Under current market practice, the price of the Stock will be quoted exclusive of accrued interest.

It is expected that dealings on The Stock Exchange will begin on Friday, 16th December, 1983, without documents of title and at seller's risk, for deferred settlement on Thursday, 22nd December, 1983.

UNITED KINGDOM TAXATION

In the case of interest payable in respect of Registered Stock, United Kingdom income tax at the basic rate (currently 30 per cent.) will be deducted from each payment and accounted for to the Inland Revenue, except that, under current law and Inland Revenue practice, payments will be made gross:

(a) to persons whose registered addresses are outside the United Kingdom, provided that:

(i) the payments are made directly to an address abroad other than a branch of a United Kingdom company (including a bank); and

(ii) the Registrar does not recognise the person as a resident of the United Kingdom for tax purposes and does not recognise that the payment is being made, directly or indirectly, to, or for the account of, such a person, *including a branch abroad of such a person*; or

(b) to a bank in the United Kingdom recognised as such by the Inland Revenue provided that such bank certifies that it is the owner of the underlying Stock and beneficially entitled to the interest.

Persons who are not resident for tax purposes in the United Kingdom may apply by sending a claim form A3 to the Inspector of Foreign Dividends for exemption from United Kingdom income tax on interest payable in respect of Registered Stock on grounds of non-residence.

In the case of interest payable in respect of Bearer Bonds through a Paying Agent in the United Kingdom, United Kingdom income tax at the basic rate will be deducted from each payment and accounted for to the Inland Revenue unless, under current law and Inland Revenue practice:

(a) evidence is produced that the beneficial owner of the Bearer Bonds and Coupons in question is not resident in the United Kingdom for tax purposes; or

(b) payment is made to a bank in the United Kingdom recognised as such by the Inland Revenue and such bank certifies that it is the owner of the underlying Stock and is beneficially entitled to the interest.

Payments of interest in respect of Bearer Bonds through a Paying Agent outside the United Kingdom will, under current law and Inland Revenue practice, be made free of any United Kingdom withholding tax. A bank in the United Kingdom which, by presenting a Coupon or Bearer Bond, collects payment of any such interest on behalf of a beneficial owner who does not produce evidence that he or it is not resident in the United Kingdom will be obliged to deduct United Kingdom tax (at the basic rate) and account for it to the Inland Revenue.

Stockholders who are liable to United Kingdom tax on capital gains should note that the provision in Section 67 of the Capital Gains Tax Act 1979 which exempts from tax capital gains on Gilt-edged securities (as therein defined) held for more than 12 months will not apply to the Stock.

THE KINGDOM OF SPAIN

The Kingdom of Spain consists of 50 provinces of which 47 are on the mainland of the Iberian peninsula. Of the remaining three, one province is in the Balearic Islands and the other two are in the Canary Islands. The 50 provinces occupy a total land area of 504,696 square kilometres. In addition, the cities of Ceuta and Melilla, situated on the coast of North Africa, are part of Spain.

At the end of 1982, Spain's population was estimated at approximately 38.0 million, corresponding to a density of approximately 75 persons per square kilometre. The population growth rate during the past decade has averaged approximately 1 per cent. per annum.

Spain is a parliamentary monarchy. King Juan Carlos I ascended the throne as Head of State in November, 1975. Legislative power is vested in the Parliament (Las Cortes), which is composed of the Congress and the Senate whose members are elected by universal suffrage for a term of four years.

The present government under Prime Minister Sr. Felipe Gonzalez took office in December, 1982. Its stated objectives are to control inflation and reduce Spain's balance of trade deficit. It has followed a tight monetary policy combined with strong fiscal measures. In the 1983 State Budget specific economic targets were established including a 12 per cent. inflation rate, a 13.2 per cent. growth limit on the increase in domestic credit in the private sector, 13 per cent. growth for money supply and a total public sector deficit no greater than Ptas 1,350 billion (6 per cent. of Gross Domestic Product ("GDP")). During the first 7 months of 1983, inflation was running at an annual rate of 10.3 per cent. and the growth of domestic credit in the private sector was at an annual rate of 11.7 per cent. Monetary growth was at an annual rate of 11.4 per cent. in the first 8 months of 1983. The total public sector deficit is currently expected to reach Ptas 1,300 billion (5.7 per cent. of GDP) for 1983 based on results for the first 8 months.

Spain is a member of the United Nations, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the International Monetary Fund and the Organisation for Economic Co-operation and Development ("OECD"). Spain is also a party to the General Agreement on Tariffs and Trade. Since 1970, Spain's relations with the European Economic Community ("EEC") have been governed by a preferential trade agreement signed with the six original members of the EEC. In July, 1977 Spain applied officially for membership of the EEC. Formal negotiations commenced in February, 1979 but entry is not expected before 1986. This will be followed by a protracted transitional period, possibly lasting 10 years in some sectors of the economy. Spain became a political member of the North Atlantic Treaty Organisation in May, 1982.

In 1982, Spain's GDP of Ptas 19,727 billion, representing 1.1 per cent. real growth over 1981, ranked eighth among OECD members and has increased since 1977 at an average annual real rate of growth of 1.4 per cent. Real GDP growth was at an annual rate of 1.7 per cent. for the first 6 months of 1983. Per capita income increased from Ptas 63,855 in 1969 to Ptas 516,945 in 1982. In 1982, services accounted for 58.2 per cent. of GDP (compared with 48.8 per cent. in 1970), while industry and mining accounted for 35.4 per cent. (39.9 per cent. in 1970), and agriculture, forestry and fisheries provided the remaining 6.4 per cent. of GDP (11.3 per cent. in 1970).

The Government has encouraged increased use of coal and other alternatives to imported oil, and in 1982 the volume of oil imports declined by 7.6 per cent. from 1981. Imported oil and gas accounted for 69 per cent. of total energy consumption in 1982 compared to 74 per cent. in 1981. Since 1979 oil has declined from 69 per cent. of primary energy used to 56 per cent. in 1982, while at the same time the use of coal has increased from 15 per cent. to 29 per cent. Government schemes to encourage the mining of domestic coal deposits have resulted in a 120 per cent. increase in production since 1977. Crude oil deposits off the Mediterranean coast produced some 1.5 million tonnes in 1982.

Despite substantial increases in energy prices, inflation in consumer prices declined from 24.5 per cent. in 1977 to 14 per cent. in 1982 and to an annual rate of 10.3 per cent. for the first 7 months of 1983. Unemployment, however, has increased from 6.3 per cent. in 1977 to 17.3 per cent. at 30th June, 1983.

The tourist industry represents a significant source of revenue for Spain as a result of its favourable climate, location and culture. The tourist industry employed approximately 1.1 million workers and produced gross revenues of Ptas 788 billion in 1982 compared with Ptas 313 billion in 1977. Over the 1979–1981 period of relatively high oil prices, net revenues from tourism offset over 60 per cent. of the balance of trade deficit.

The agricultural sector, which has diminished in importance over the past several decades, produces cereals, citrus fruits, olive oil, wine and other products for both domestic use and export. The industrial sector has increased in relative importance, although its growth has slowed down in the last few years due to the recession of the international economy, the loss of international competitiveness caused by domestic wages rising faster than the depreciation of the peseta and the impact of the two world oil crises on an economy heavily dependent on energy imports. Recently, however, the trend in some of these factors has reversed to the benefit of the industrial sector. In particular, the 8 per cent. devaluation last December of the peseta against the U.S. dollar followed by its subsequent depreciation, coupled with a substantial fall in the rate of wage increases and the reduction in world oil prices, should contribute, in due course, to improving the growth prospects for the industrial sector.

In 1982 Spain showed a balance of trade deficit of Ptas 1,024 billion, 10.5 per cent. higher than in 1981. Imports totalled Ptas 3,382 billion in 1982 compared with Ptas 2,870 billion in 1981. Exports of goods, principally of food products, wine and metals, are encouraged by Government export credit schemes and amounted to Ptas 2,358 billion in 1982 compared with Ptas 1,943 billion in 1981. During the first 10 months of 1983, imports amounted to Ptas 3,329 billion and exports to Ptas 2,234 billion, resulting in a trade deficit of Ptas 1,095 billion. This compares with a deficit of Ptas 948 billion for the same period in 1982.

The current account deficit was Ptas 458 billion in 1982 compared with Ptas 444 billion in 1981 and was primarily the result of the trade deficit in recent years. The current account deficit for the first 9 months of 1983 was Ptas 379 billion compared with Ptas 347 billion for the same period in 1982.

Spain's international reserves on 31st October, 1983 stood at U.S.$11.0 billion (based on provisional data), representing a decline of 18 per cent. since 1979 which resulted principally from trade deficits.

Investment into Spain by foreign entities has been increasing since 1977, attracted by Spain's large and comparatively under-exploited domestic market, relatively low labour costs and Government grants. The industrial sectors of steel, engineering and chemicals were the recipients of the largest volume of direct foreign investment. The United States of America was the largest source of foreign investment in 1982.

In terms of national accounts, the Kingdom showed a budget surplus on current account transactions of Ptas 166 billion in 1981, followed by a Ptas 364 billion deficit in 1982. The overall budget deficit, including capital and other expenditures, amounted to Ptas 399 billion (2.3 per cent. of GDP) in 1981 and Ptas 1,112 billion (5.6 per cent. of GDP) in 1982. During the first 10 months of 1983, the overall budget deficit amounted to Ptas 593 billion compared with Ptas 623 billion for the same period in 1982.

Total public sector debt of Ptas 3,687 billion (£18,118 million) as at 31st December, 1982 represented approximately 18.7 per cent. of Spain's GDP for that year (compared with 17 per cent. at the end of 1981), of which Ptas 1,605 billion (£7,887 million) (43.5 per cent.) was external debt. Total public and private sector external debt stood at Ptas 3,596 billion (£17,671 million) at 31st December, 1982 and Ptas 4,177 billion (£20,526 million) at 30th June, 1983. Debt service payments for interest and principal on total public and private sector external debt amounted to Ptas 725 billion (£3,565 million) in 1982, representing 19.1 per cent. of exports of goods and services.

Full debt service has been paid when due upon all external debt issued by Spain as well as upon all external debt borrowed by others and guaranteed by Spain.

GENERAL INFORMATION

Underwriting Arrangements

By an Underwriting Agreement dated 12th December, 1983, Samuel Montagu & Co. Limited, Baring Brothers & Co., Limited, County Bank Limited, Grindlay Brandts Limited, Hambros Bank Limited, Kleinwort, Benson Limited, Lloyds Bank International Limited, Morgan Grenfell & Co. Limited, J. Henry Schroder Wagg & Co. Limited, S. G. Warburg & Co. Ltd. and Banco de Bilbao, S.A. (the "Underwriters") have agreed with the Kingdom to underwrite the issue of the Stock and the payment of £30 per cent. of the nominal amount thereof. The Underwriting Agreement is subject to certain conditions and Samuel Montagu & Co. Limited, on behalf of the Underwriters, and in certain circumstances the Kingdom may terminate the Underwriting Agreement if such conditions are not fulfilled. If the Underwriting Agreement is so terminated, no applications for the Stock will be accepted or, as the case may be, acceptances of applications for Stock will become void.

The Kingdom has agreed to pay to the Underwriters commission aggregating 100p per £100 of Stock for their services as managers and underwriters of the issue, out of which will be paid commissions to the brokers to the issue (W. Greenwell & Co. and Rowe & Pitman) and certain other persons who have been offered, on behalf of the Kingdom, and have accepted sub-underwriting participations in respect of the issue of the Stock. The Kingdom will also pay brokerage of 12½p per £100 of Stock to recognised Banks or Stockbrokers (as defined in "Terms of Payment in respect of Applications" above) on allotments made in respect of applications on forms bearing their stamp; this commission will not, however, be paid in respect of any allotment which arises out of an underwriting commitment. The total expenses of the issue (including the above-mentioned commission but excluding brokerage) are estimated to amount to approximately £640,000 and are payable by the Kingdom.

General

No person is authorised to give any information or to make any representation not contained in this Prospectus; and any information or representation not contained herein must not be relied upon as having been authorised by the Kingdom or the Underwriters. This Prospectus does not constitute an offer of, or an invitation to subscribe, the Stock in any jurisdiction to any person to whom it is unlawful to make such an offer or invitation in such jurisdiction.

Euro-clear Operations Centre and CEDEL S.A. have accepted the Bearer Bonds for clearance under reference nos. 5364 (Euro-clear) and 232645 (CEDEL).

Under present legislation, Stock in both registered and bearer forms is transferable free from United Kingdom Stamp Duty.

The Kingdom will pay all Spanish taxes, duties, assessments and governmental charges in respect of the Stock subject to and in accordance with "Particulars of the Stock—Taxation" above.

The Stock is not an investment falling within the First Schedule to the Trustee Investments Act 1961.

Certain amounts herein are expressed in Spanish pesetas (referred to as "Ptas") and have been translated into pounds sterling using a rate of £1 = Ptas 203.50 (which was the rate of exchange prevailing on 31st December, 1982). At 10.00 a.m. on 9th December, 1983, the middle rate between the buying and selling spot delivery rates for Spanish pesetas quoted on the London foreign exchange market was £1 = Ptas 226.80.

Documents for Inspection

Copies of the following documents will be available for inspection at the offices of Allen & Overy, 9 Cheapside, London EC2V 6AD during normal business hours until 27th December, 1983:—

(i) the Underwriting Agreement referred to above;

(ii) drafts, subject to modification, of the Deed Poll referred to above (including the texts of a Stock Certificate and a Bearer Bond); and

(iii) the Resolution of the Council of Ministers dated 26th October, 1983.

Additional Copies

Copies of the Prospectus and application form may be obtained from:—

Samuel Montagu & Co. Limited,
114 Old Broad Street, London EC2P 2HY

Lloyds Bank Plc,
Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU

W. Greenwell & Co.,
Bow Bells House, Bread Street, London EC4M 9EL

Rowe & Pitman,
City-Gate House, 39-45 Finsbury Square, London EC2A 1JA

Receiving Bank
Lloyds Bank Plc
Registrar's Department
Issue Section
111 Old Broad Street
London EC2N 1AU

Registrar and Transfer Office
Lloyds Bank Plc
Registrar's Department
Goring-by-Sea
Worthing
West Sussex
BN12 6DA

Principal Paying Agent and Exchange Agent
Lloyds Bank Plc
Registrar's Department
Issue Section, 111 Old Broad Street, London EC2N 1AU
Goring-by-Sea, Worthing, West Sussex, BN12 6DA

Paying Agents

Kredietbank S.A. Luxembourgeoise
43 Boulevard Royal
P.O. Box 1108
Luxembourg

Morgan Guaranty Trust Company of New York
35 Avenue des Arts
B-1040 Brussels
Belgium

Legal Advisers in England to Spain
Allen & Overy
9 Cheapside
London EC2V 6AD

Legal Advisers to the Underwriters

Slaughter and May
35 Basinghall Street
London EC2V 5DB

Uria & Menendez
Hermosilla 30
Madrid 1

Brokers

W. Greenwell & Co.
Bow Bells House
Bread Street
London EC4M 9EL
and
The Stock Exchange in London

Rowe & Pitman
City-Gate House
39-45 Finsbury Square
London EC2A 1JA
and
The Stock Exchange in London

APPLICATION FORM

The application list will open at 10.00 a.m. on Thursday, 15th December, 1983 and will close later the same day.
This form must be lodged with Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU.

KINGDOM OF SPAIN

Issue on a yield basis of £50,000,000 Loan Stock 1988

Payable as follows: On application £30 per cent. On or before 21st March, 1984, the balance of the issue price.

To: Samuel Montagu & Co. Limited on behalf of the Kingdom of Spain.

In accordance with the terms of the Prospectus dated 13th December, 1983, I/we apply as below. I/We irrevocably undertake to accept the amount of Stock applied for or any smaller amount that may be allotted in respect of this application and to pay for the same in conformity with the terms of the said Prospectus.

Nominal amount of the Stock applied for	Amount enclosed at £30 per cent. of the nominal amount applied for
£	£

Note: Applications must be for a minimum of £100 nominal amount of Stock and thereafter for the following multiples of Stock.

Amount of Stock applied for	*Multiple*	*Amount of Stock applied for*	*Multiple*
£100 – £1,000	£100	£10,000 – £100,000	£10,000
£1,000 – £10,000	£1,000	£100,000 or greater	£100,000

I/We enclose a cheque* in pounds sterling drawn on a branch in the United Kingdom or the Channel Islands of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses, made payable to "Lloyds Bank Plc" and crossed "Spain Loan" representing payment at the rate of £30 per cent. of the above-mentioned nominal amount of Stock. I/We agree that this application shall be irrevocable. I/We understand that the completion and delivery of this application form accompanied by my/our cheque constitutes a representation that the same will be honoured on first presentation. I/We hereby engage with Spain to pay the balance payable on the Stock by 21st March, 1984 in accordance with the terms as to payment set out in the Prospectus on any allotment made to me/us in respect of this application and I/we understand that failure to pay such balance by the due date will render the amount previously paid liable to forfeiture and the allotment liable to cancellation. Interest at the rate of two per cent. per annum above the Base Rate of Lloyds Bank Plc from time to time may be charged on the balance of the amount payable on the Stock, if accepted after its due date. Spain further reserves the right, in default of payment of such balance, to sell the Stock fully paid for its own account. I/We acknowledge that any allotment letter and (if appropriate) remittance for any application moneys returnable to me/us is liable to be held pending clearance of such cheque.

I/We hereby request that any Stock allotted to me/us be evidenced by an allotment letter addressed to me/us and be sent by post at my/our risk to me/us at the first address shown below.

*A separate cheque must accompany each application form.

Please pin cheque here

Date: 1983

(1) *Usual signature:* ....
In the case of a corporation the common seal must be affixed or this form signed under hand by a duly authorised officer who must state his capacity.

Please use BLOCK LETTERS

Forenames: ....
Surname: ....
(also state designation Mr., Mrs., Miss or title)
Address in full: ....

Joint Applicants (if any):
In the case of joint applicants all must sign.

(2) *Usual signature:* ....
Forenames: ....
Surname: ....
(also state designation Mr., Mrs., Miss or title)
Address in full: ....

(3) *Usual signature:* ....
Forenames: ....
Surname: ....
(also state designation Mr., Mrs., Miss or title)
Address in full: ....

(4) *Usual signature:* ....
Forenames: ....
Surname: ....
(also state designation Mr., Mrs., Miss or title)
Address in full: ....

FOR OFFICE USE ONLY

1. Acceptance number
2. Amount of Stock accepted £
3. Amount received on application £
4. Amount payable on Stock accepted £
5. Amount returned £
6. Balance payable £
7. A. L. number
8. Cheque number

Stamp of bank or broker claiming brokerage (if any) and VAT Reg. No. (if not registered put "None")

ALTERNATIVE METHOD OF PAYMENT

(This method of payment is available in respect of payments of £10,000 or more only to recognised Banks or Stockbrokers as described in the Prospectus.)

We hereby irrevocably engage to pay Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU, for credit to the account designated "Spain Loan — Alternative Payment" by 10.00 a.m. (London time) on Wednesday, 21st December, 1983 the amount in Town Clearing Funds representing payment at the rate of £30 per cent. of the nominal amount of the Stock in respect of which this application shall have been accepted.

Authorised signature: ....
In the case of a corporation, the common seal must be affixed or this form must be signed under hand by a duly authorised officer who must state his capacity.

Please place a cross here if you wish to collect your renounceable letter of allotment and/or cheque for excess subscription moneys from Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU. → ☐

Name of bank or broker: ....
Address in full: ....

DoT wants GUS to cut Empire share stake

By Ray Maughan

THE Department of Trade and Industry wants Great Universal Stores, the British Mail Order Corporation, Burberys, Hector Powe and Times Furnishing group, to sell the bulk of its holding in Empire Stores (Bradford) by January 1 1985.

GUS bid £37m for Empire, the mail order group, in April last year and acquired a 29.99 per cent holding before sitting through a Monopolies Commission enquirey.

The Commission recommended that the proposed merger should be blocked and the Department of Trade ruled that GUS should not be permitted to vote more than 10 per cent of its shares and should divest to no more than 9.99 per cent within two years.

In the meantime, Empire has resisted proposals by Sears Holdings, GUS's great high street rival, which would have included Grattan Warehouses in an attempt to set up a new force in the catalogue mail order business.

Empire, instead, forged new trading links with GUS which initially comprised computerised debt appraisal and is now set to be extended to Empire's administrative organisation. GUS, for its part, is thought to have been in discussions with the Department with a view to extending the deadline for share disposal.

Those hopes have now been effectively dashed and GUS is now faced with the prospect of selling a significant tranche of Empire's equity, within the original time frame, when the shares are trading at about half GUS's original purchase price of 112p per share.

STC purchases

Standard and Telephones and Cables expects to complete shortly the acquisitions of the capacitor operations of Union Carbide UK based at Aycliffe, Co. Durham, and Standard Elektrik Lorenze capacitor plant in Nurnberg, Bavaria. The West German factory is currently controlled by ITT, STC's former parent.

No details of the price to be paid or the value of the assets to be acquired has been disclosed by STC but the group believes that the expansion of its production in the tantalum and ceramic capacitor market to add to its output from Paignton, Devon, will provide further penetration of the import export markets of the U.S. and the Far East.

Inchcape sale

The UK-based Inchcape Group subsidiary, Caldbeck Australia Pty, and the Westpac Banking Corporation finance arm, Australian Guarantee Corporation, have sold their stakes in the Australian winemaker, Wyndham Estate, Wyndham said.

Each held 44 per cent of the equity. Their shares were bought by Macsam Holdings Pty, a company owned equally by Wyndham chairman-elect, Mr Stan Hamley, a former AGC executive, and Wyndham managing director, Mr Brian McGuigan.

Wyndham officials said Macsam paid a little under A$10m for the stake, which gives it ownership of all the company's capital.

Allianz faces Wednesday Eagle Star bid deadline

BY JOHN MOORE, CITY CORRESPONDENT

Allianz Versicherung, West Germany's largest insurer, will unveil the terms of an offer in excess of £913m for Eagle Star, the British insurance group, by Wednesday morning at the start of dealings on the London stockmarket.

The Panel on Takeovers and Mergers, which monitors the progress of takeover bids of public companies, yesterday told Morgan Grenfell, the merchant bank advising Allianz, that the indicated higher offer, mada by Allianz last week, must be fully clarified by Wednesday at 9.30 a.m.

Allianz holds shares amounting to 29.9 per cent of Eagle Star, which when added to acceptances of its current offers brings its total stake to just over 30 per cent.

Allianz said at the beginning of last week that it intended to beat the 660p per share offer for each Eagle Star share made by BAT Industries and increase its own offer above the 650p per share for the British insurer which it has so far made. But no figures on the size of its likely offer were mentioned in the Allianz statement.

A decision on the price of the offer depended on the outcome of discussions with Eagle Star which took place last Thursday. These talks broke down and there are no plans for their resumption.

Sir Denis Mountain, chairman of Eagle Star said that his board had "unanimously confirmed the stance of last Thursday's meeting. In other words, our message to Allianz is "get on and make your bid'." He added: "if they wish to make us an offer of £10 per share the board is more than obliged to look at it."

The Takeover Panel had been hoping that Allianz would make its offer yesterday following the breakdown in talks.

Now there is speculation that Allianz might only come back with an offer for Eagle Star of just 1p above the current 660p per share offered by BAT.

Allianz representatives claimed that they were still waiting for clarification from Sir Denis Mountain of various questions raised at last week's meeting, including prospects and the structure of the group, together with details of the assurances given by BAT.

The BAT offer has been recommended by the Eagle Star board.

The Takeover Panel said that Allianz's advisers had reacted "slowly" to the arguments put forward by the Panel.

Eagle Star said that "we are glad the position has now been clarified and we'll wait and see what happens now that we know the timescale."

The board of management of Allianz meets today and there is speculation that it may decide to make its next strike ahead of the deadline.

Property merger talks resume

THE MERGER talks between Slough Estates, Allnatt London Properties and Guildhall Property, which were abandoned last month, have been resumed.

The directors of Allnatt and Guildhall yesterday asked for shares in the two interlinked companies to be suspended following the restart of mergers discussions. A statement, likely to reveal the terms of an agreement, is expected today.

An agreed merger would create a combined property development and investment group with a market capitalisation of £300m and a portfolio worth nearly £650m—making it one of the largest UK property groups.

At the 220p suspension price, Allnatt is valued at £88m, while Guildhall is capitalised at about £8m. Slough shares closed 3p down et 119p.

When talks were broken off two weeks ago, Slough said the parties involved had been unable to agree that underlying net asset values should be the basis for any merger agreement.

The breakdown of the talks was expected to lead to interest in Allnatt and Guildhall on the part of other property companies but it now appears that an acceptable formula has been worked out with Slough at the second attempt.

Allnatt has a 39.3 per cent stake in Guildhall, as well as the same board of directors. The principal shareholders, Mr Leslie Smith and Mr Ronald Diggens, have made it clear that they want a new management team to take over.

A merger would further strengthen Slough's dominance in the industrial property market, though it is expected that some portfolio rationalisation would follow.

Stenhouse advice 'ill-judged'

Mr Herbert Houghton, the director of Stenhouse Haldings, the Glasgow-based insurance broker who resigned last week over his board's rejection of merger terms with a Canadian associate, Reed Stenhouse, yesterday wrote to shareholders saying that the board had given "ill-judged advice" when recommending shareholders to reject the offer.

Reed Stenhouse is attempting to buy Stenhouse Holdings in a cash and share deal worth about £53m. The board of Stenhouse, which holds 48.9 per cent of Reed Stenhouse, is in favour of a merger plan in principle but is opposed to the terms offered.

Mr Houghton has said that a "higher offer" will not be provoked by the board's rejection letter to shareholders and that they should accept the terms offered by Reed Stenhouse. He intends to accept the offer in respect of his 31,572 shares in Stenhouse Hodlings.

* * *

Standard Securities has purchased for £1.44m the freehold interest in a 60,000 sq ft 11-storey office block in Wolverhampton, built in 1971/2. It is the headquarters of Tarmac Construction, which occupies the terms of a lease expiring in March 2002.

The company considers that the present rent of £115,000 per annum is well below current market level and that consequently there will be a considerable uplift in income at the rent review in March 1986.

* * *

Mercantoil, the international group whose shares are traded over-the-counter by Hill Woolgar, has entered into conditional contracts for the acquisition of 40 per cent stakes in Associated Offshore-Onshore Services (Pte), Oceantech International and Geotronics Pte, all based in Singapore, for a total consideration of $2m—equivalent to £675,000 including expenses. The three companies supply electronic equipment to the offshore oil and gas industry.

* * *

Sketchley, workwear rental, linen hire and dry cleaning group, has acquired from Lyndale Textile Rental the fixed assets and goodwill of Lyndale's Holt Laundry and Cleaners business for £368,000 cash.

The principal activities of Holt Laundry and Cleaners, situated in Holt, Norfolk, are the hire of linen to hotels and restaurants and contract laundry.

RMC widens coverage with £22m package

By Ray Maughan

RMC Group, the ready mixed concrete manufacturer, has completed three deals which secure aggregate reserves for its Frnch activities, increase its exposure in the U.S. and add to the reserves from which it supplies the southern Hertfordshire and North London markets. Their aggregate value is about £22m.

The group is paying DM 50m for a 64.6 per cent stake in RWK France. The vendor is Rheinisch-Westfaelische Kalkwerke, in which RMC already has a 49 per cent stake. The consideration has been met by the issue of 3.32m RMC shares which were placed yesterday by Schroder Wagg, in conjunction with Cazenove and Co and Hoare Govett, at 385½p per share. The net proceeds amounted to 382p per share.

The French business lost money last year, although only at a slight rate, and RMC is confident that, following rationalisation, RWK France can be brought back into profit within a year. It operates in the Ile de France area and thus serves the Paris region.

RMC's U.S. interests have been expanded in the last three months through the acquisition for $9.7m of e 75 per cent stake in Metromont Materials Corporation of Spartanburg, South Carolina — RMC already has operations in Winston, Salem in North Carolina end Lakeland in central Florida.

The Metromont acquisition brings in 12 ready-mixed concrete plants, seven concrete block plants, a concrete pipe plant, a pre-stressed concrete plant and a crane rental service. The balance of the shares has been retained by Mr Richard Pennell, who continues as chief executive.

Although no immediate U.S. deals are currently in hand, RMC is wedded to further expansion in the South Eastern states. It is also continuing with the expansion of its UK coverage of quarries and, for £1.84m in cash, has acquired large reserves of sand and gravel next to its existing quarry at Hatfield, Hertfordshire.

Finally, RMC has purchased a further 30.9 per cent of C. Rowbotham and Sons (Insurance), a Lloyd's broker, bringing its holding up to 96.5 per cent. The agreed cash consideration was £500,000.

* * *

The revised offer by Crystalate for Royal Worcester has been declared unconditional in all respects.

Changes to FT-Actuaries indices

AT THE year-end review of the FT-Actuaries share indices, it was decided to subdivide the Electricals (04) subsection.

From January 3 1984, the Engineering Contractors (05) subsection will be discontinued and replaced by a new Electronics subsection which will take the same (05) number.

Of the current 10 constituents in Engineering Contractors, AIM Group will be deleted, Northern Engineering Industries will be transferred to (04) and Associated Heat Services and Haden will be transferred to Contracting & Construction (03). The other six, Capper-Neill, Crown House, Davy Corporation, Matthew Hall, Simon Engineering and Whessoe, will be transferred to Mechanical Engineering (06).

Nineteen constituents of (04) will be transferred to the new Electronics (05) subsection; they are A.B. Electronic Products Group, Bowthorpe Holdings, Computer & Systems Engineering, Crystalate Holdings, Diploma, Dubilier, Electrocomponents, Farnell Electronics, Ferranti, General Electric, ICL, Memec (Memory & Electronic Components), Multitone Electronics, Oceonics Group, Plessey, Racal Electronics, Standard Telephones & Cables, Telemetrix and Unitech.

They wil be joined in (05) by Applied Computer Techniques (Holdings) from Office Equipment (44), D.P.C.E. Holdings from Miscellaneous (46) and by three new additions to the series, Cambridge Electronic Industries' First Castle Electronics and Logica.

From (04), transfers will also be made of Brown Boveri Kent and Vinten Group, both to Other Industrial Materials (10), and Security Centres Holdings, to (46), while Forward Technology Industries and Quest Automation will be deleted.

Finally, Expamet International will be transferred from (06) to Building Materials (02) and Fothergill & Harvey from Textiles (35) to (10).

DIVDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Baker Perkins ....int.	2.4	Feb. 6	2.1	—	5.1
Caffyns ....int.	2.2	—	2.2	—	4.5
Crown House ....int.	2.5	Feb. 17	2.25	—	5.75
Dobson Park	3.31	Feb. 27	3.31	5.21	5.21
GEC ....int.	1.15	Mar. 31	1	—	3
Hazlewood Foods ...int.	4.75	Jan. 23	4	—	9.5
Leigh Interests ......int.	0.75	Jan. 21	0.5	—	1
Martin	3.72	—	3.6	6.12	5.78*
RHP Group	0.75	Feb. 8	2	1.25	4
Shaw Carpets ....int.	1	Feb 2	Nil	—	1.5
West's Group ....int.	2.5	Jan. 24	Nil	—	4.2
Whitecroft ....int.	2	Feb. 1	1.65	—	5.4

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

BASE LENDING RATES

A.B.N. Bank	9 %	Heritable & Gen. Trust	9 %
Allied Irish Bank	9 %	■ Hill Samuel §	9 %
Amro Bank	9 %	C. Hoare & Co. †	9 %
Henry Ansbacher	9 %	Hongkong & Shanghai	9 %
Arbuthnot Latham	9 %	Kingsnorth Trust Ltd.	10 %
Armco Trust Ltd.	9 %	Knowsley & Co. Ltd.	9½%
Associates Cap. Corp.	9½%	Lloyds Bank	9 %
Banco de Bilbao	9 %	Mallinhall Limited	9 %
Bank Hapoalim BM	9 %	Edward Manson & Co.	10 %
BCCI	9 %	Meghraj and Sons Ltd.	9 %
Bank of Ireland	9 %	Midland Bank	9 %
Bank Leumi (UK) plc	9 %	■ Morgan Grenfell	9 %
Bank of Cyprus	9 %	National Bk. of Kuwait	9 %
Bank of Scotland	9 %	National Girobank	9 %
Banque Belge Ltd.	9 %	National Westminster	9 %
Banque du Rhone	10 %	Norwich Gen. Tst.	9 %
Barclays Bank	9 %	R. Raphael & Sons	9 %
Beneficial Trust Ltd.	10 %	P. S. Refson & Co.	9 %
Bremar Holdings Ltd.	9 %	Roxburghe Guarantee	9½%
Brit. Bank of Mid. East	9 %	Royal Trust Co. Canada	9 %
■ Brown Shipley	9 %	Standard Chartered ‖	9 %
CL Bank Nederland	9 %	Trade Dev. Bank	9 %
Canada Perm't Trust	10 %	TCB	9 %
Castle Court Trust Ltd.	9½%	Trustee Savings Bank	9 %
Cayzer Ltd.	9 %	United Bank of Kuwait	9 %
Cedar Holdings	9 %	United Mizrahi Bank	9 %
■ Charterhouse Japhet	9 %	Volkskas Intnl. Ltd.	9 %
Choulartons	10½%	Westpac Banking Corp.	9 %
Citibank Savings ¶	10½%	Whiteaway Laidlaw	9½%
Clydesdale Bank	9 %	Williams & Glyn's	9 %
C. E. Coates	9½%	Wintrust Secs. Ltd.	9 %
Comm. Bk. of N. East	9 %	Yorkshire Bank	9 %
Consolidated Credits	9 %		
Co-operative Bank *	9 %		
The Cyprus Popular Bk.	9 %		
Dunbar & Co. Ltd.	9 %		
Duncan Lawrie	9 %		
E. T. Trust	9½%		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10½%		
Robert Fraser	10 %		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		
■ Hambros Bank	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%, 1-month 5.75%. Short-term £8,000/12 months 8.1%.
† 7-day deposits on sums of: under £10,000 5½%, £10,000 up to £50,000 6½%, £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5½%.
‖ 21-day deposits over £1,000 6½%.
§ Demand deposits 5½%.
¶ Mortgage base rate.
Money Market Cheque Account = 8.75%. Effective annual rate—9.11%.

UK COMPANY NEWS

Martin the Newsagent margins cut

A DECLINE in pre-tax profits from £3.66m to £3.44m has been shown by Martin the Newsagent for the year to October 2 1983 compared with 53 weeks previously. Sales of this newsagent and tobacconist expanded from £128.08m to £141.6m excluding VAT.

The net final dividend is being lifted from 3.595p to 3.72p which effectively raises the total from 5.775p to 5.12p. Basic earnings per 25p share came to 22.4p (22.6p).

Profit margins were under pressure during the second half say the directors, because increases in local authority rates and nationally negotiated wage settlements for sales staff, were materially above price inflation rate for the company's products.

Second half profits fell from £1.05m to £579,000.

Pressure on profit margins is continuing for at least the first half of 1983-84 and this, combined with the uncertainties in the print industry, makes a forecast of current profits unwise, say the directors.

However, looking ahead they are confident of reversing tha recent unsatisfactory pre-tax profit trend.

The result reflects the fact that while most branches traded well, a small number, in major high streets, made unacceptable losses.

Six of these stores have been placed on the market and will be divested as non-trading units during the first half of current year. The benefit of the 53rd week's trading in 1981-82 was £260,000 pre-tax. Adjusting last year to 52 weeks gives pre-tax profit of £3.4m (£3.44m).

Pre-tax profits were struck after higher interest payments of £940,000 (£754,000).

Tax moved down from £674,000 to £475,000, but extraordinary debits totalled £695,000. The debits included profits £237,000 (£36,000) on the sale of fixed assets and £1.03m debits (nil) written off the net book values of certain branches being sold, to reflect anticipated proceeds.

On a current cost basis pre-tax profits came to £2.38m (£2.55m).

● comment

Martin's figures must be reckoned a touch disappointing. In particular, the 25 Sperrings outlets acquired last year have obviously proved a mixed bag. Of the six shops whose losses have been so unacceptable as to warrant outright closure, five belonged to Sperrings, and all are sited in prosperous Home Counties towns like Guildford and Chichester. And whereas the Sperrings acquisition geared up last year's balance sheet, the process still continues, with borrowings now £1m higher again. In the current year, the NGA dispute is a worry, particularly since this week and next are crucial for Martin's Christmas trade, much of which depends on people dropping in for their normal purchase of newspapers and magazines. More fundamentally, 60 per cent of the past year's profits come from traditional CTN sales, all of whose elements seem in long-term decline. At 155p, up 3p, the shares are not unduly expensive, and yield a useful 5.7 per cent. Safe, but unexciting.

Crown House nearly doubled at halftime

TURNOVER of Crown House fell from £78.69m to £74.14m in the six months to September 30 1983 but pre-tax profits almost doubled from £580,000 to £1.09m.

A divisional breakdown of these shows: electrical and mechanical services £636,000 (£1.1m); tableware £367,000 (£701,000 loss); employment services £113,000 (£82,000) and property and finance £23,000 loss (£99,000 profit).

Tax took £375,000 (nil), there were extraordinary credits of £29,000 (£35,000) and minorities amounted to £111,000 (£268,000). The net interim dividend is being stepped up from 2.25p to 2.5p. Last year's total payment was 5.75p.

The directors say that, despite some improvement in the trading activities of Best and May (electrical wholesalers) they decided to take advantage of an offer by Standard Telephone and Cables to acquire the company on satisfactory terms. The price for the share capital, received on September 14 was £502,000 when inter-group loans of £4.55m were also repaid.

Results for half year incorporates a small trading loss for the period up to the data of sale and a surplus on sale, inclusive in extraordinary items, of £30,000.

The proceeds of £5.05m are being used to expand group's available working capital. Liquidity is therefore now particularly strong, cash balances exceeding borrowings by over £4m at the end of tha first half.

Despite the intensely competitive environment in which most of the group's businesses are conducted, the directors say they are confident of a satisfactory outcome to current year's trading.

The improvement in the tableware division at halftime, they say, has been most encouraging. Not only has demand increased particularly for glassware products, but benefits from more efficient production of Denby products have begun to show through.

Lower profits for the half-year in the electrical and mechanical services division stem mainly from the incidence of contract completions, they explain. However, in the UK, engineering contracting is becoming increasingly competitive and last year's record profit is unlikely to be maintained.

In overseas contracting, the level of activity in the Arabian Gulf has been better than expected and further progress been achieved in South Africa.

In view of the continued lack of orders received in Western Australia, a decision has been taken to discontinue operations in that country for the time being.

A further loss will therefore be incurred in Australia during current year but the run down will be substantially complete by the year-end.

Midway rise takes Shaw Carpets back to interims

FOR THE half year ended October 28, 1983 profits at Shaw Carpets have expanded from £142,000 to £722,000, and the directors look to the remainder of the year "with confidence."

Interim dividends are being resumed after a two year absence, with a payment of 1p net. Last year there was a single dividend of 1.5p.

Sales rose 10 per cent to £20.33m despite the hot summer which curtailed consumer demand, and the directors feel the profit is satisfactory in the circumstances. It represents a further step in the company's recovery from the near £1.5m loss (excluding redundancies) in 1981-82.

In the second half sales continue at an encouraging rata with demand for the higher quality products being "particularly good."

There is a tax charge of £236,000 this half, which leaves the net profit at £486,000. Earnings are 2.4p (0.5p) per share

James Halstead

Management accounts for the first five months of the current year showed that trading was well up to expectations, Mr Geoffrey Halstead, chairman of James Halstead Group, told the annual meeting. "We look forward to 1984 with confidence," he said.

Reorganisation of the holiday companies was now satisfactorily completed, with 1984 brochures ready to be launched.

APPOINTMENTS

Southern Electricity chairman

The Energy Secretary has appointed Mr Duncan A. Ross chairman of the SOUTHERN ELECTRICITY BOARD for five years from April 1. He succeeds Mr J. Wedgwood, who is retiring. Mr Ross has been chairman of the South Wales Electricity Board since 1981. Mr John Quine Taberner has been re-appointed a part-time member of the Eastern Electricity Board for one year from December 11. He is a past director of APE-Allen and of Amblecote Foundry.

★

Mr Leslie Andrews has been appointed a director of the GORDON NORTH GROUP, and to the boards of all the subsidiary companies. His major role will be to co-ordinate the group's marketing and tendering activities. He was previously in a similar role with Rush & Tompkins and R. Mansell.

★

DATA RECORDING HEADS, a company in the [illegible] Group, has appointed Mr Christopher Bonny as technical director. He has been with the group since 1968 and in 1980 was appointed managing director of Data Heads (Pte), Singapore. He will report to Data Recording Heads' managing director, Mr Tom Elliott who, with the acquisition by DRI of MPI's interest in United Peripherals, has been appointed director and general manager of the UPL factory at Winsford, Cheshire.

★

Mr A. J. (Dick) Lane has been appointed director responsible for finance and administration at RACAL-MILCO, Hook, Hants. He was Racal Recorders financial director and company secretary.

★

Mr Sidney Perez, chief executive of Intasun Travel, is to be the new chairman of the TOSC TRUST FUND from January. He succeeds Mr Bruce Tanner of Horizon Holidays who relinquishes the post after a two-year term. Mr Tanner remains a member of the board. A new appointment to the Trust Fund board is that of Mr Alan Waddell, general manager, British Airways Tour Operations. He replaces Mr Ron Haylock, Hotelplan, who is now to pursue a career outside tour operating.

★

Mr T. J. Bayliss and Mr J. Dundas Hamilton have been appointed to the board of UNITED DOMINIONS TRUST. Mr Bayliss was a partner of Price Waterhouse until his retirement earlier in the year. Mr Dundas Hamilton is senior partner of Fielding Newsom-Smith and Company. UDT was acquired by the TSB Group in 1981.

★

Mr Keith Cooper has been appointed vice-president of sales for the Egham-based international division of the NATIONAL CAN CORPORATION of Chicago. He joined National Can 15 years ago and was sales director of Europe. Mr Richard Sturdevant has been appointed vice-president and general manager for Southern Europe by National Can. He will direct operations in Italy, Spain and Cyprus. He was formerly director of manufacturing for the international division.

★

The CARBORUNDUM COMPANY has appointed Mr David F. Houe as vice president and general manager of Carborundum Resistant Materials for Europe, Africa and the Middle East. Based at Sale, Cheshire, the company is a wholly-owned subsidiary of Standard Oil of Ohio.

★

Mr Michael Hanrahan has been appointed secretary to the HIRE ASSOCIATION EUROPE, a voluntary organisation regulating the bulk of the UK hire industry in the small tools and equipment, catering equipment and audio-visual and video hire industry.

★

Mr R. J. S. Weir has been appointed treasurer of WELBECK FINANCE.

★

BRITISH TIMKEN has made the following management changes: Mr Stan Aitken, formerly director-personnel and logistics, has been appointed to the newly-created position of director-operations, responsible for manufacturing and purchasing; Mr Brian Chadwick, who has been at The Timken Company's headquarters in Ohio, U.S. since 1981, will return to Northampton as assistant to Mr Aitken; Mr Norman Taylor is appointed to the new position of manager-product acceptance and compliance. He has been chief quality control engineer since 1976.

★

R. P. ADAM, Selkirk, has moved Mr Robin Leith from financial director to commercial director. Mr Ian Durham joins as financial director. He was financial director with Grays of George Street, Edinburgh.

★

Mr Alan Reade, head of Tarmac Construction's regional design/build operation for the past eight years, is setting up his own consultancy READE ASSOCIATES, Wolverhampton.

★

DIVERSEY (EUROPE) has appointed Mr Nick Sharp as European regional director of engineering. He is responsible for engineering research and development, Diversey Engineering (Europe), cleaning-in-place engineering and liaison and co-ordination between the Diversey Group's engineering activities in North America and Europe.

★

Mr Michael Bird, managing director of Consumer Magazines, International Thomson Publishing, has been appointed a director of EUROLEX and a director of ESDU International, in addition to his other responsibilities.

★

Mr N. J. Cosh, a director of Gill & Duffus Group, and Mr H. A. Rodebeck, a director of Waycon, have been appointed directors of THE FLEMING AMERICAN INVESTMENT TRUST. Mr A. A. Clark has been appointed alternate director to Mr D. W. J. Garrett.

★

Mr Peter Henderson and Mr Keith Thomas have been appointed to the board of GEOFFREY MORLEY & PARTNERS. Mr Thomas was previously a director of Robert Fleming Investment Management.

★

Mr Richard J. Borda, executive vice president, has been appointed head of WELLS FARGO BANK'S Europe/Africa/Middle East division, headquartered in London. He was head of Wells Fargo's domestic correspondent banking division in San Francisco. Mr Borda succeeds Mr William D. Wright, who has elected to pursue other business interests.

★

Mr Christopher Varcoe, formerly head of sales for Bell Lines, has been appointed marketing director of INTERNATIONAL FERRY FREIGHT GROUP (unit load division) from January 1. The division comprises four companies in the UK/European trade, IFF, Seawheel, Containerlink and Jameson (Europa). It is part of the United Transport Group, a member of the BET Group.

★

Mr Ron Baker is to resign as managing director of design consultants FITCH & CO. for personal family reasons, from January 1. He will remain a non-executive director and act as consultant. Mr Rodney Fitch, (executive deputy chairman) and Mr Crispin Tweddell (development director) will become joint managing directors. Mr Ian Cochrane (finance director) will take on responsibility for production and administration.

★

Mr Barrie J. Martin has joined the London representative office of OVERLAND TRUST BANK, Lugano, as investment manager. He was formerly senior investment officer with First National Bank of Boston, London.

★

Mr Stephen Lofthouse has joined JAMES CAPEL & CO., stockbrokers, as portfolio strategist.

★

Mr Peter Bryan, who has been chief executive of the magazine division of UNITED NEWSPAPERS since January 1979, will be leaving at the end of the year. Mr Gordon Linacre, chief executive, becomes chairman of Punch Publications, a post previously held by Mr Bryan. Mr Brian Knox-Peebles, group marketing director, becomes publisher of Punch. The printing companies of United Newspapers will be organised under United Printing Services, bringing together George Pulman & Sons, The Leagrave Press, The Soman-Wherry Press and the UPS companies in Ashton, Blackburn and Blackpool. The UPS board will consist of Mr Graham Wilson, chairman; Mr Roy Foltick, chief executive; Mr John Brown, general manager, UPS Lancashire Companies; Mr Philip Hutchings, general manager, George Pulman & Sons and of The Leagrave Press; and Lord Knollys, managing director, The Soman-Wherry Press. The board will meet in different centres each month.

★

Senior posts at British Bankers

Mr R. J. Dent, a managing director, Baring Brothers and Co., has been appointed chairman of the executive committee of the BRITISH BANKERS' ASSOCIATION from January 1. He will succeed Mr D. G. Barber, a general manager, Midland Bank, who will have completed the normal two-year term of office. Mr M. H. R. Thompson, assistant chief general manager, Lloyds Bank, will take over from Mr Dent as deputy chairman of the executive committee.

★

Mr Peter F. Jameson has been appointed chairman of DUTTON-FORSHAW fleet division. Dutton-Forshaw is a subsidiary of Suits, a Lonrho company.

★

TOWERS, PERRIN, FORSTER & CROSBY, management consultants, have elected Mr Paul Massey a vice-president. He joined TPF&C in 1977.

★

R. CARTWRIGHT (HOLDINGS) has appointed Mr David Anthony Richard as a director from January 1. He is managing director of Erebus, a member of the group. Mr William John Llewellyn will be appointed company secretary from the same date. He is group chief accountant and will continue to hold this position. The present secretary, Mr R. L. Teare, will continue as deputy chairman and financial director.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

How South Bend set about fighting back

Sue Birley reports on efforts to rejuvenate a U.S. Mid-West town

A TYPICAL foreign perception of mid-west America is one of industrial decay, dying smoke-stack industries and increasing unemployment.

This is indeed largely true, but many small towns are demonstrating that they are not prepared to give up without a fight. For South Bend, Indiana — with a catchment area of some ½m people and a 10 per cent unemployment rate — this fight is beginning to pay off. During the third quarter of 1983, nine firms announced that they would be moving into the town, creating 267 new jobs, and seven resident firms promised expansion, thus creating 218 new jobs.

In the days of the growth of the car and steel industries, South Bend was a boom town. Located in the mid-west between the steel town of Gary, and Detroit, it was the home of Studebaker. But Studebaker's 1962 closure caused a severe ripple effect through all the small subcontracting firms in the area. Soon many had gone out of business. By 1980, the town was in severe trouble. Large firms began to close down branch plants and subsidiaries — Bendix, Clark Equipment, General Motors among them — and began to move their operations from the region to the sun belt in the South where utilities and labour are cheaper. The mid-west could not fight the attractiveness of an $8 per hour non-union rate in comparison with the $22 per hour United Auto Workers rate. Soon the major employer in South Bend was the University of Notre Dame.

In 1981 a group of volunteers among local bankers and other businessmen formed the Small Business Council to help maintain and build the small business community. It began Business Helping Business seminars, a Business Hotline, a newsletter and held a Small Business Week.

It was in 1982 that Project Future was formed. The combined efforts of the local community—owners of the local banks, the local newspaper, and many other small firms, the Chamber of Commerce and the area's universities — raised $1.5m to fund the project, and Pat McMahon, the city's then director of development, was charged with creating a strategy for the future. His objectives

were simple. He was to find ways to:

1. Stimulate the birth of new firms;
2. Attract firms to relocate;
3. Encourage the expansion of existing firms.

To date his successes have included:

new firms moving into the area;

major government contracts being won by AM General, a local subsidiary of the LTV industrial group to make key military tactical vehicles, thus revitalising many small sub-contract firms;

where firms have decided to close down, the employees of some have successfully completed a leveraged buyout.

Control Data has been persuaded, after lengthy negotiations, to open its twelfth Small Business and Technology Centre in the town.

Pat McMahon believes South Bend's achievements to date have been due to a variety of factors. He believes that commercially, the town is located in the centre of a very large market, with an excellent airport as well as direct access to all the main trunk routes. Local energy costs are low, as are personal taxes, and unemployment insurance is among the lowest in the nation. "With the right organisation we felt that we had a good chance of attracting firms into the area," he says.

Elixir Industries of Gardena, California, is one such; it is building a 100,000 sq ft aluminum extrusion facility to make door and window framing materials for the local recreational vehicle industry. The town successfully applied for $127,000 from the Federal Small Cities Community Development Programme to defray the costs of providing sewer and water main extensions and to construct an access road.

Clark Information Technologies, a wholly owned subsidiary of Clark Equipment Company, has just announced that it will build a $1.75m major computer centre in South Bend, creating 25 new direct jobs and more than 100 indirect jobs.

Control Data's Business and Technology Centre in South Bend is a joint venture: Control Data providing expertise and organisation, universities participating in technology exchange and the city finding and purchasing the building and being responsible for renovating it. Previously, Control Data would have been responsible for it all.

The centre will provide both space and shared facilities for a number of resident companies as well as an advice centre for all small firms in the area.

STL Recycling, a subsidiary of Volvo, has just opened its first American subsidiary in South Bend. The production process, which recycles telecommunications equipment to reclaim precious metals, involves complex equipment previously used only in Europe. The company's new employees learned the intricacies of the new equipment before STL's opening through a training programme co-ordinated by Project Future.

With these achievements in hand the town isn't sitting on its laurels. It has just succeeded in persuading the state to designate what is known as the "Studebaker corridor" as an Enterprise Zone. Firms moving into the area will thus enjoy such benefits as certain exemptions from gross income tax, tax credits on loan interest, property tax credits and priority status for neighbourhood assistance programme funds.

Other initiatives include a study of local business purchasing activities to identify major markets served by non-local sources and to encourage new firms in these areas and by the town's Business Development Corporation for development corporation status under the Small Business Administration's 503 programme which enables special aid to be offered to small and medium sized businesses.

Dr Sue Birley is Associate Professor of Entrepreneurship in the College of Business, University of Notre Dame. Before that she was Lecturer in Small Business at London Business School.

In brief...

THE first meeting of the working party to consider the future of Business in the Community (BIC) will be held tomorrow. BIC, which now has 60 to 70 corporate backers, was set up in mid-1981 to encourage private sector companies to get more involved in the economic, social and environmental needs of their own communities. It has mainly been instrumental in setting up local enterprise agencies but big companies are concerned that it is competing for resources with the Confederation of British Industry's Special Programmes Unit and Action Resource Centre (ARC). A merger of the three organisations is likely to be on tomorrow's agenda, though ARC is apparently keen to retain its independence.

●

THE experience of the Bristol-based New Work Trust Company, according to Michael Winwood, its managing director, "shows conclusively that too few business people (including those who work in co-operatives) have considered carefully enough who or where their market is."

As a result, New Work and the County of Avon have just published a new booklet, written by Winwood, called "Establishing Your Marketing Plan." It seeks to illustrate how small firms can research their market, improve their selling and control their product design in line with the requirements of customers.

Although aimed primarily at local firms—with a couple of plugs for New Work's Small Firms Marketing Centre—the 16 pages are relevant to businesses regardless of location. It is available free from the Avon County Public Relations Department, the County Planning Department, or from New Work Trust, London Road, Warmley, Bristol BS15 5JH.

●

3i VENTURES, the "hands-on" venture capital subsidiary of 3i (formerly Finance For Industry) is opening an office in Newport Beach, Orange County, just south of Los Angeles, California. Since California is widely considered to be the Mecca of venture capitalists and is the state whose fast growing high technology companies have been a major influence on the development of venture capital in Europe, the decision is perhaps an example of "the wheel coming full circle."

Geoff Taylor, managing director of 3i Ventures, says the group now has six investments on the West Coast (most of them in conjunction with other venture capital funds) and that the opportunities there justify a permanent presence. (3i already has an office in Boston.)

"We are confident that venture firms in Northern California will be keen to have us in syndicated deals," comments Taylor, maintaining also that 3i's European links will be an attractive bait for expansion-minded Californians.

3i Ventures now has between 25 and 30 investments in the UK.

●

A CONFERENCE aimed at exploring the notion and validity of "education for enterprise" and examining the means to help young people try and create their own work is to be held next April at Homerton College, Cambridge. Organised by the Careers Research and Advisory Centre, the National Institute for Careers and Education and Counselling, and the Education for Enterprise Network, the event will be held from April 4 to 6. Details from CRAC, Bateman Street, Cambridge CB2 1LZ.

●

STRUGGLING football club Derby County might look enviously at the recent issue of shares by its Midlands neighbour Birmingham City, the first to raise money under the Business Expansion Scheme. Bob Barnsley, managing director of Mercia Venture Capital, which acted as advisers in the deal, says he is "sure it will set a precedent for a number of others in the near future."

●

AFTER a lengthy gestation period the Small Business Research Trust was formally launched in London yesterday by Industry Secretary Norman Tebbitt. The aim of Trust's chairman Sir Charles Villiers and honorary director general, Stan Mendham, is to bring together the various different strands of small business research. The Trust will carry out a certain amount of in-house work through research secretary Bert Nicholson, it will commission specific inquiries and overviews and it will sponsor research teams and respond to outside proposals. Start up funds are £150,000. The Trust's office is 3 Dean French Street, Westminster, SW1. Tel: 01-222 4684.

... Meanwhile, another UK initiative

SMALL Firms Minister, David Trippier, is hoping to start a fashion with the launch yesterday of the Valleys of Enterprise Trust Fund (VET), yet another managed vehicle for investors wishing to take advantage of the Government's Business Expansion Scheme.

However, unlike the many City of London-based investment managers who have eagerly been trying to distinguish their funds from each other in the last few months, there is some justice in Trippier's claim that VET is different.

VET is what Trippier calls a "Community" fund. It was initiated by the Rossendale Enterprise Trust — which the Minister helped set up three years ago as a means of harnessing local authority and private sector resources to encourage small firms. VET's management company will be non-profit making, and it will specialise in taking equity investments of between £20,000 and £100,000 (although in exceptional cases it could go below £20,000).

When the Government first designed the Business Expansion Scheme (BES) — which gives full tax relief to individuals who put new equity into unquoted businesses — Ministers hoped the measure would stimulate more local investment activity. Since the scheme became law this summer, attention has focused largely on the 30 or so privately promoted funds (mostly in the City) which have now raised more than £30m between them.

"The majority of existing funds tend to consider investments of £100,000 as a minimum figure, whereas VET will be providing real assistance where it is needed in the small business sector by making smaller amounts of equity available," Trippier claimed yesterday.

VET is seeking £½m and is so far believed to have commitments for half that amount. There is no front end fee for investors (who are expected to come mainly from Lancashire, North Manchester and West Yorkshire) but they will pay a 2 per cent annual management charge. "Target" companies will

David Trippier

pay for the costs of investigation.

Investments in the fund, which is wholly owned by the Rossendale Enterprise Trust and its more recently established "sister" agencies in Blackburn and Hyndburn, will be chosen by a board comprising individuals from industry and commerce in North East Lancashire. They will not take any remuneration for this work.

Tim Dickson

The venturesome local authorities

A GROWING number of local authorities is assuming the roles of banker and venture capitalist—and according to a paper just published others should be encouraged to follow suit.

"The emergence of a local tier of economic policy is the most interesting and important development in local Government for a decade," claims Chris Collinge, author of the study*, which is based on a combination of published material and interviews (with, among others, a small sample of authorities).

He believes that until last year, the metropolitan county of South Yorkshire was possibly alone in providing equity finance to local businesses. But recently, several others have become active, with five out of seven metropolitan counties interviewed taking shareholdings in companies to provide equity finance, with another one currently thinking of doing so. "Taken together their funds (£25m) are significant, and are equivalent in value to the shares held by, say, *Midland Bank Industrial Equity Holdings*."

Collinge argues that while existing private sector institutions claim there is always money for the "right" project, very few provide funds in units of less than £50,000 and high risk ventures "do not seem to be adequately catered for."

A bigger growth area, meanwhile, has been that of grants and loans. "A number of local authorities have established low security loan facilities and some of these, such as overdraft guarantees or unsecured top-up loans, have been substantially over-subscribed," says Collinge. He adds that much of the help "still seems to be biased towards the provision of land and buildings," and that there is plenty of room for improvement and for the adoption of more creative and imaginative financial instruments at the local level."

Given the acute economic situation most local authorities, he concludes, "will need to give some thought to combining policies for the supply of finance with others which are designed to promote the development of investment projects within industry."

For all Collinge's enthusiasm for intervention—and for bodies like the West Midlands Enterprise Board—he has not attempted to investigate the cost effectiveness of using ratepayers money for these purposes. If he is right that the bandwagon is picking up speed, somebody clearly ought to do so.

* *Investing in the Local Economy: business finance and the role of local government. Available from Community Projects Foundation, 60 Highbury Grove, London N5 2AG. £3.50.*

T. D.

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BUSINESSES FOR SALE APPEARS TODAY ON PAGE 32

COMPANY ANNOUNCEMENTS

ANNOUNCEMENT

Universal Casualty & Surety Co., Ltd.
Grand Cayman, B.W.I. (Universal)
and
Reaseguros Del Golfo S.A.
(Golfo)

are pleased to announce that effective 19 October, 1983, Universal was merged with Golfo of Liberia.
All cedants, reinsurers, brokers and agents are hereby instructed to forward all communications, accounts, closing instructions, payments and notices of claims directly to the service representative of Golfo:
Servicios Administrativos Profesionales
A.P. 43-105, Mexico D.F., Mexico 07880

LEGAL NOTICE

IN THE MATTER OF
BANQUE COMMERCIALE (CAYMAN) LIMITED
(in liquidation)
AND IN THE MATTER OF
THE COMPANIES LAW CAP. 22

NOTICE IS HEREBY GIVEN that by an Order of the Grand Court of the Cayman Islands dated 21st November, 1983 the voluntary winding-up of the above-named Company was made subject to the supervision of that Honourable Court and that the creditors of the above-named Company are required on or before 31st January, 1984 to send their names and addresses and the particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned. Richard Graham-Taylor and G. James Cleaver of Messrs. Arthur Young and Company, P.O. Box 460, Grand Cayman, British West Indies, the joint liquidators of the above-named Company and if so required by notice in writing from the said joint liquidators are by their solicitors or personally to come in and prove the said debts and claims at such time and place as shall be specified in such notice or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 28th day of November, 1983.

RICHARD GRAHAM-TAYLOR.
G. JAMES CLEAVER.
Joint Liquidators.

TECHNOLOGY

Computer retailing enters a cut-throat era

MICROCOMPUTER retailing is a cut-throat business in the UK these days. The widespread interest among business users in small systems has inspired a flood of new outlets in the last couple of years.

Professional Personal Computing

The result is that discounting is rife, particularly in the South East of England, and the fall-out rate among new players, desperate to get established, has inevitably been high.

Even the "big boys" have not had it all their own way. Tesco and Granada have not opened as many "business centres" as their original announcements might have led people to expect; Computerland has failed to achieve anything like the success in Britain that it has in the U.S. and continental Europe; while Rank Xerox, the troubled office equipment supplier, recently abandoned plans to expand its retail stores and shut them down instead.

It would thus seem to an inauspicious time to start up a new microcomputer retailing business with the ambitious aim of opening 80 stores across Britain in the next five years. That, however, is the plan of James Minotto and Brian Allmey who have persuaded Baronsmead Associates, a new City based capital agency, and Schroder Wagg, a leading merchant bank, to back Interface Network, IN, to the tune of £1m.

Some £300,000 of this will come from Baronsmead's recent fund which was established under the Business Expansion Scheme. The first store under the IN banner will open early next year near London. The intention is that nine more will follow by the end of 1984.

As respectively ex-President of Computerland Europe and ex-managing director of Sperrings Computer Shops in Southampton, Minotto and Allmey are certainly familiar with the market they will be tackling. They believe the way to succeed, is to provide a standard of service "most existing computer shops are unable to provide and on which most businessmen can quickly learn to rely."

The network — most stores will ultimately operate on a franchise basis but 10 per cent will be directly owned—will comprise centres where "turn-key" microcomputer systems can be bought from trained staff, known rather pompously as "computer counsellors." Each store will provide full in store training facilities, complete technical service, and software support for the six machines Minotto aims to distribute.

While IN will compete on service, it equally intends to *remain aloof from price cutting.* Says Minotto, "I am pretty convinced that price is not the most important factor for someone choosing a business system. The machine and software are only part of the process which leads to the customer having an information / data processing system which will work for him. It's just like buying a car—there's no point in buying from the cheapest dealer if the wing mirror falls off as you drive away."

> Even the "big boys" have not had it all their own way

Machines and software will be important factors—the customer's requirements, says Minotto, word processing, basic accounting, file handling, spread sheets and graphics, will dictate the choice—but he clearly hopes that IN's consultants and back up staff will be the company's trump cards.

"If a customer needs, say, only three of the eight functions of a software package that's what we will teach him. He will *only* pay for what he wants. The whole thing is geared to the businessman sitting at his desk—just as it is expensive hiring a temp when your secretary goes sick, so it's extremely inconvenient when your computer breaks down.

"Based on my experience in Europe and the UK, I think the customer will pay for a quality back up service," said Minotto.

In spite of this confidence, sceptics in the industry say they have heard it all before. Even David Fairbairn, chairman of the National Computing Centre, who believes service is vital, wonders "whether the high street concept really works and whether many people really walk in the door off the street.

"They have got to make sure they don't use up margin unnecessarily. If the customer hasn't decided to buy after the first, or at the very latest, the second major discussion, they've got to walk away from it."

Says Peter King, managing director of the Byte Shop and vice chairman of the Computer Retailing Association, "These two guys have set themselves a difficult task but it's not impossible. They will, for example, need to acquire a qualified engineering force and sales people who know the business market. The right staff are worth more than any amount of luxurious showrooms or unlimited venture capital but they are difficult to find."

A big question mark must also hang over computer franchising, which has admittedly worked well in the United States where users tend to be knowledgeable and pretty sophisticated, but which has not proved successful so far in the UK. Tight margins may make a franchise agreement unattractive to potential franchisees while IN faces a major challenge in providing a uniform service and in exercising satisfactory financial controls from the centre (Minotto insists that he and Allmey are businessmen, "not computer freaks").

Whilst IN will have plenty of independent competitors, the manufacturers themselves also enter the equation. As Mr Joel Schwarz, vice president of Digital Equipment's small systems group said recently: "Because it is difficult to control the quality of service through third parties, the company will shortly be opening many more of its own stores and signing more tightly drawn franchises."

Happily for retailers DEC's attitude *may not* be typical but even IBM now has its own retail centres for distributing bulk orders of personal computers.

TIM DICKSON

NASA SPENDING $3M A YEAR ON AUTOMATONS

Robot repairers in space

BY PETER MARSH

OUTER SPACE is too dangerous and unfriendly a place for people, say engineers working for the National Aeronautics and Space Administration in the U.S. They are spending U.S.$3m a year on a new breed of robots that will operate unteoded above the atmosphere on jobs such as the repair of satellites.

According to workers at the administration's Marshall Space Flight Center in Huntsville, Alabama, the machines will be controlled by computers that work according to principles of artificial intelligence. In this discipline, machines are given powers of reasoning and decision-making comparable to the abilities of the human brain.

A vital part of the hardware that Nasa envisages, however, is that humans will be able to intervene to give the machines guidance at crucial moments.

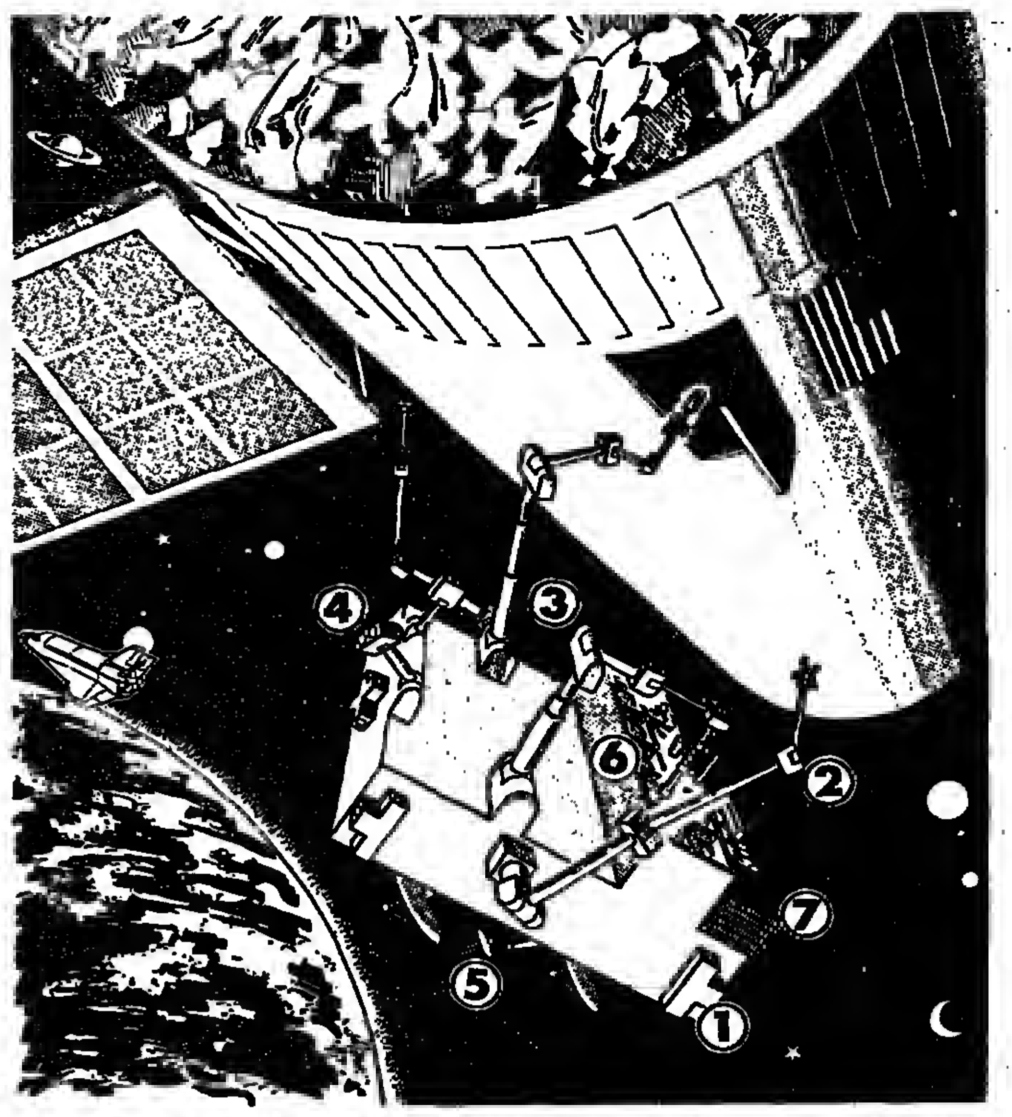
The controllers, who will either be on the ground or inside space vehicles, will keep in contact with the hardware by sophisticated video links. These give the supervisors the impression they are at the scene where the work is taking place.

In this way, controllers could tell the machinery, for example, to take out a faulty component from a satellite while it is still in orbit. They would give only a rough instruction, leaving to the device's own inbuilt intelligence the work of formulating how exactly to do the job.

The robot repairers would be *deployed* either from a space shuttle or a permanent space station of the kind that Nasa is discussing for the 1990s. The devices would move around with their own miniature propulsion systems and carry racks of tools which they would grab with a series of mechanical "hands."

The workers at the Huntsville centre have coined the word "telepresence" to describe this combination of the powers of humans and machines. According to Mr Georg von Tiesenhausen the assistant director of advanced systems at the Marshall base, machines with telepresence could be in orbit by 1992.

Mr von Tiesenhausen is no stranger to projects that appear visionary. During the Second World War he was among the German rocket engineers who worked at a secret station in Peenemünde on the design of the V-2 weapon, the first guided missile.



Space engineers in the U.S. envisage an automated repair vehicle powered by its own thrusters (1) and which grabs onto satellites with anchor arms (2). Guided by computer intelligence, the machine repairs hardware with a mechanical arm (3) and carries its own spare tools (4 and 6). The vehicle receives commands from controllers via radio antennas (5). It is powered by batteries (7).

The space pioneer, who is 69, has also published designs for self-replicating robots which would form the labour pool for factories on the Moon.

Nasa is committed to efforts to repair and service spacecraft while they are in operation around the earth. The designers of satellites, for example for remote sensing or communications, have until now never had a chance to examine their inventions once they have blasted off into space.

According to Nasa's plans, space vehicles, particularly complex and expensive scientific satellites, will receive servicing while they are in orbit in much the same way as the average family car receives periodic check-ups at the local garage.

Initially, astronauts will maintain the satellites. In the world's first test of satellite servicing, American spacemen will fly into orbit next April a few hundred kilometres from earth in a space shuttle.

There they will correct faults in an ailing scientific satellite, the Solar Maximum Mission vehicle, which has been collecting information about the Sun. The astronauts will be armed with special tools and will zoom into position from the shuttle with small boosters fitted on to back packs.

In the long run, however, engineers at Nasa think that automated machines will do repairs more cheaply than people. Astronauts in pressure suits can work only for a few hours at a time outside of their space vehicles. To employ a person in this way costs about US$10,000 an hour, according to a Nasa report in 1980.

One of the first jobs for an orbiting repair craft with telepresence will probably be to tend to the $1,000m Space Telescope, a joint project between Nasa and the European Space Agency.

The vehicle, that is to enter orbit in 1985, has been built with special modules that can be lifted out and replaced. This strategy should prolong the life of the vehicle from 10 years to more than 15.

Among the other spacecraft that, according to Nasa's plans, will be built so they can be easily serviced is the advanced X-ray astrophysics facility, due to be launched in 1990.

In their thinking about "telepresence," Nasa's engineers have borrowed ideas from a report which they commissioned from researchers at the Massachusetts Institute of Technology.

In the document, presented to Nasa this autumn, the researchers said the new systems should be as "transparent" as possible. This means that operators should be able to give their machines instructions in an extremely simple way.

The MIT researchers give this illustration of how a "transparent" system would operate. "A remote human indicates an access panel to be removed. The onboard computer recognises the type of panel, schedules the tasks needed to remove it, picks the first screw, determines that it is a Phillips head, selects the correct tool and removes the screw, stores it if necessary, and goes on to the next task in the sequence."

Space Applications of Automation, Robotics and Machine Intelligence Systems by *D. Akin, M. Minsky, E. Thiel and C. Kurtzman. Nasa contractor report 3734.*

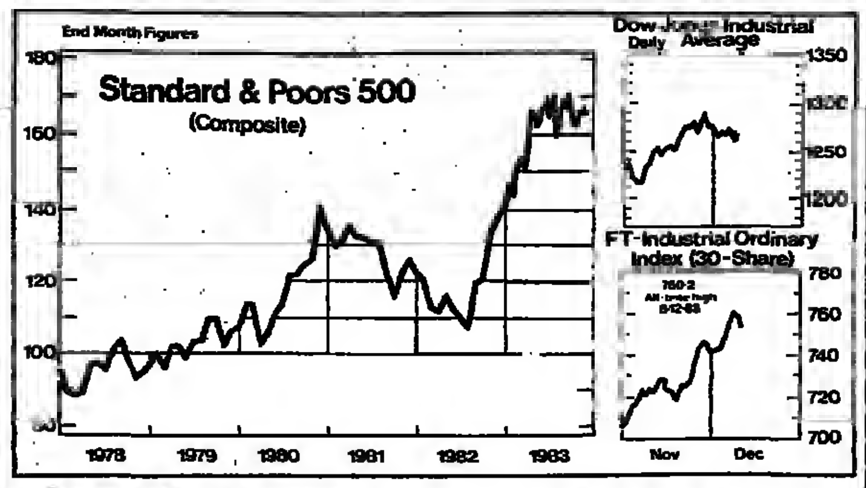
BUSINESSES FOR SALE

FINANCIAL TIMES

Tuesday December 13 1983

EEC deadlock on New Zealand butter imports, Page 42

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 12	Previous	Year ago
NEW YORK			
DJ Industrials	1261.59	1261.06	1018.76
DJ Transport	604.45	604.91	438.92
DJ Utilities	134.44	133.91	118.17
S&P Composite	165.62	165.08	139.57
LONDON			
FT Ind Ord	753.70	757.10	582.10
FT-A All-share	463.85	465.33	374.18
FT-A 500	495.20	496.93	413.78
FT-A Ind	456.08	458.14	385.48
FT Gold mines	573.10	567.20	502.30
FT Govt secs	82.51	82.77	77.79
TOKYO			
Nikkei-Dow	9442.38	9448.90	7870.85
Tokyo SE	699.47	698.74	579.44
AUSTRALIA			
All Ord.	743.80	735.60	475.40
Metals & Mins.	539.40	528.30	402.60
AUSTRIA			
Credit Aktien	54.22	54.20	48.45
BELGIUM			
Belgian SE	131.63	130.94	99.22
CANADA			
Toronto Composite	2536.30	2531.90	1851.60
Montreal Industrials	444.78	442.50	313.59
Combined	427.61	425.97	310.53
DENMARK			
Copenhagen SE	195.81	193.79	90.34
FRANCE			
CAC Gen	151.50	150.60	100.50
Ind. Tendance	162.60	162.20	120.50
WEST GERMANY			
FAZ-Aktien	344.06	343.24	249.72
Commerzbank	1016.30	1014.30	755.40
HONG KONG			
Hang Seng	856.74	858.39	754.40
ITALY			
Banca Comm.	185.10	186.46	165.62
NETHERLANDS			
ANP-CBS Gen	148.10	147.90	100.30
ANP-CBS Ind	121.70	121.20	83.50
NORWAY			
Oslo SE	214.29	209.93	99.21
SINGAPORE			
Straits Times	968.04	968.99	747.30
SOUTH AFRICA			
Golds	849.90	841.70	841.20
Industrials	927.00	121.20	723.90
SPAIN			
Madrid SE	closed	122.50	97.96
SWEDEN			
J & P	1514.89	1520.99	843.85
SWITZERLAND			
Swiss Bank Ind	370.50	371.00	277.60
WORLD	Dec 9	Prev	Yr ago
Capital Int'l	180.70	181.40	151.40

GOLD (per ounce)

	Dec 12	Prev
London	$391.625	$388.675
Frankfurt	$391.50	$388.75
Zurich	$391.75	$389.00
Paris (fixing)	$389.76	$389.99
Luxembourg (fixing)	$390.35	$402.80
New York (Dec)	$390.40	$388.40

* Indicates latest pre-close figure

CURRENCIES

(London)	U.S. DOLLAR Dec 12	U.S. DOLLAR Previous	STERLING Dec 12	STERLING Previous
$	–	–	1.431	1.4415
DM	2.753	2.7335	3.9425	3.945
Yen	236.5	233.925	338.75	337.75
FFr	8.3925	8.3025	12.005	11.9725
SwFr	2.2125	2.1915	3.1675	3.165
Guilder	3.0855	3.064	4.4175	4.42
Lira	1667.0	1656.0	2385.00	2388.5
BFr	55.85	55.43	79.95	79.96
C$	1.24825	1.24475	1.7855	1.7955

INTEREST RATES

	Dec 12	Prev
Euro-currencies (offered rate)		
£	9⅛	9⅛
SwFr	4½	4⅝
DM	6⅜	6⅜
FFr	12⅞	12⅞
FT London Interbank fixing (offered rate)		
3-month U.S.$	10¼	10¼
6-month U.S.$	10 7/16	10½
U.S. Fed Funds	9½	9¼
U.S. 3-month CDs	9.70	n/a
U.S. 3-month T-bills	8.95	8.91

U.S BONDS

Treasury	Dec 12 Price	Dec 12 Yield	Prev Price	Prev Yield
10½ 1985	99 19/32	10.75	99 23/32	10.67
11½ 1990	99 27/32	11.57	99 29/32	11.54
11.75 1993	99 13/16	11.85	100 9/32	11.60
12 2013	100 17/32	11.93	102 21/32	11.66
Corporate	**Dec 12 Price**	**Dec 12 Yield**	**Prev Price**	**Prev Yield**
AT & T				
10⅜ June 1990	92⅞*	12.00*	92⅝	12.05
3⅞ July 1990	67½*	10.95*	67½	10.95
8¾ May 2000	75¾*	12.20*	76	12.15
Xerox				
10⅞ March 1993	91⅞*	12.20*	90⅞	12.30
Diamond Shamrock				
10⅜ May 1993	89½*	12.55*	89½	12.55
Federated Dept Stores				
10⅞ May 2013	85¾*	12.45*	85¾	12.45
Abbot Lab				
11.80 Feb 2013	94.90*	12.45*	94.90	12.45
Alcoa				
12¼ Dec 2012	94.724*	12.95*	94.724	12.95

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
December	70–09	70–13	69–29	70–02
U.S. Treasury Bills (IMM) $1m points of 100%				
December	91.06	91.10	91.03	91.03
Certificates of Deposit (IMM) $1m points of 100%				
December	90.34	90.37	90.33	90.34
LONDON				
Three-month Eurodollar $1m points of 100%				
December	90.00	90.05	89.93	90.11
20-year Notional Gilt £50,000 32nds of 100%				
December	108–10	108–23	108–10	108–25

COMMODITIES

(London)	Dec. 12	Prev
Silver (spot fixing)	660.30p	644.40p
Copper (cash)	£1005.50	£999.50
Coffee (Jan)	£2034.00	£2008.50
Oil (spot Arabian light)	$28.25	$28.20

WALL STREET

Interest rates still hold key

A GLOOMY and unsettled mood remained over Wall Street yesterday, with the investment professionals still unsure what view to take on interest rates. The bond market could not hold the gains scored in late trading on Friday and again lacked retail support. Leading stocks moved downwards in moderate turnover, *writes Terry Byland in New York*.

There was little further response to the unexpected jump of $2.1bn in M1 money supply for last week. Money supply trends remained within Federal Reserve target ranges, and debt markets are now concerned chiefly with the weight of impending funding by the U.S. Treasury and the implications for next year of the Federal Government deficit.

In the stock market, American Express plunged $3¾ to $26¾ as investors responded bearishly to the trading developments of Firemen's Fund, the group's important insurance subsidiary. It was the most active stock, with 2.6m shares traded.

The market was unable to take heart from a gain of $1 to $122¾ in IBM, the bellwether stock which benefited from the board's comments last week on the trading outlook.

The stock market drifted down for most of the session, until a rally in the closing minutes left the Dow Jones industrial average a net 1.53 higher at 1261.59 on moderate turnover of 77.3m shares. Overall the market was almost evenly balanced with 604 stocks showing gains and 796 showing losses.

The bond market closed flat after news of a substantial rise in U.S. consumer credit last month had fuelled fears of inflation.

Although this week's funding list is thin, the Federal bond market faces Treasury funding of $30bn before the end of the year, putting upward pressures on rates. Three months Treasury bills added 6 basis points to 8.96 per cent and the six-months bills at 9.14 per cent jumped 4 basis points.

Bonds opened a shade lower and then faded away in nervous trading. The key long bond at 100 17/32 was 19/32 down to yield 11.97 per cent.

LONDON

Record run dampened by GEC

AN EARLY attempt to extend London's recent record-breaking performance in equities faltered following disappointing interim results from GEC. Government securities, meanwhile, remained overshadowed by high U.S. interest rates and fell further.

After Friday's round of profit-taking, leading shares were soon challenging new peaks as renewed institutional support again found stock in short supply.

Consumer orientated stocks were to the fore on hopes of high seasonal consumer spending, while company trading statements provided interest elsewhere among secondary issues.

The early confidence of blue chips took the Financial Times Industrial Ordinary share index higher by 1pm at 760.5, slightly up on last Thursday's closing peak. But GEC's interim profits were below recent optimistic forecasts and quickly changed the picture.

GEC closed 17p down at 176p after touching a new low of 174p and taking about two points off the index. Other leading shares drifted lower in sympathy and the index finished 3.4 down on balance at 753.7.

Among those index constituents to show to advantage, BTR advanced 16p to a peak of 432p, while Boots was not far behind with a rise of 5p at 165p, also a new high.

Friday's bigger than expected contraction in the U.S. money supply figures failed to impress a gilt market still fearful about the future of U.S. interest rates.

Falls at the longer-end of the market extended to ½ at one stage, but were reduced to ⅜ by the close. Shorter maturities were irregular and the FT Government Securities index closed 0.26 down at 82.51, its lowest for nearly five weeks.

Generally buoyant mining markets were highlighted by the strong performance of leading Australian issues following last Friday's moves by the Australian Government to allow a free flotation of the Australian dollar against other currencies.

Golds were well to the fore with Poseidon especially firm and finally 13p to the good at 295p, Central Norseman 5p harder at 443p and North Kalgurli 3p firmer at 66p.

Umal Consolidated jumped 15p to 195p in response to the takeover bid from BHP.

Details, Page 37; Share Information Service, Page 38–39

HONG KONG

THE GOVERNMENT'S decision to invest over HK$104m in expansion of container port facilities had no impact on a listless Hong Kong yesterday, which saw the Hang Seng index relinquish 1.65 to 856.74.

Among the few gainers were Hutchison Whampoa, 10 cents stronger at HK$14.00, and Jardine Matheson, a similar amount higher at HK$11.20.

Orders in hand for local industrial groups declined by 1 per cent in October from September but employment within those industries rose 1 per cent during the period.

SINGAPORE

A MEASURE of optimism over the Malaysian constitutional deadlock saw advances in Singapore outnumber declines by about three to two, but was insufficient to stop the Straits Times index closing 0.95 lower at 968.04.

Department of Statistics data reveal that Singapore banks' assets rose 1 per cent in October from September and 12 per cent from the level a year ago, to S$52.62bn.

SOUTH AFRICA

THE BULLION price recovery buoyed some mining stocks in Johannesburg yesterday although price movements were small.

Sasol, the oil from coal producer, improved 12 cents to R432 following a hearty market response to its R750m rights issue which the government will use to help finance the budget deficit.

CANADA

CONTINUED STRENGTH in gold mining issues proved a feature of the Toronto market, where an easier early composite index picked up to end the session higher on balance. The oil and gas sector also showed strength.

In Montreal advances among industrials and banks helped the market to close higher on the day.

TOKYO

Election mood trims blue chips

INVESTORS sought high-priced blue chips and paper-pulps, cotton spinners and other commodity market-sensitive industrials for quick profit-taking in Tokyo yesterday as they turned increasingly cautious before the December 18 general election, *writes Shigeo Nishiwaki of Jiji Press*.

The Nikkei-Dow average of 225 select issues drifted higher in the morning, but finished 6.90 off from last Friday at 9,442 on increased small-lot selling.

Trading volume decreased to 295.90m shares from the previous session's 359.87m. Declines outnumbered advances 359 to 332, with 176 issues unchanged.

No one seriously expects the ruling Liberal-Democratic Party to lose its majority in the 511-seat House of Representatives, but the lack of any strong buying incentives is making investors more sensitive to the election results.

Rising commodity markets pushed up paper-pulps, cotton spinners and chemical issues. Sanyo-Kokusaku Pulp gained Y4 to Y261, Nisshin Spinning Y16 to Y531 and Mitsui Petrochemical Y6 to Y354.

Motors were also higher on brisk sales of new cars. Toyota was up Y20 to Y1,470, Honda up Y30 to Y1,130, and Toyo Kogyo up Y5 to Y526. Some high-priced electricals advanced on speculative interest, with Kyocera rising Y450 to Y6,910, and TDK Y130 to Y5,350. Fanuc scored a limit daily gain of Y1,000 to Y10,600, topping Y10,000 for the first time.

Toshiba, the most active issue with 31.77m shares traded, finished Y5 higher at Y390, despite foreign selling of some 10m shares in the morning. Most of the sell orders, believed to be from an affiliate of General Electric of the U.S., were absorbed by major securities houses.

Non-ferrous metals lost ground across the board under pressure of approaching margin settlement dates, along with other speculative issues. Sumitomo Metal Mining declined Y50 to Y960, slipping below Y1,000 for the first time in 15 months. Nippon Oil shed Y55 to Y965, and Arabian Oil dropped Y110 to Y4,080.

The bond market took a breather from the recent "overheated" trading, but city banks and other institutions maintained active buying interest in anticipation of further price rises.

The barometer 7.5 per cent government bond due in January 1993 weakened on selling by smaller securities companies, to yield 7.52 per cent. Last Friday, the yield on the bond dropped to 7.465 per cent at one stage, before edging back up to 7.5 per cent.

☆ ☆ ☆

Corporate bankruptcies in Japan in November rose by 17 per cent to 1,822 compared with the previous November. This third consecutive record, however, was offset by the scale of debts left which amounted to Y227.25bn, a decline of 12.5 per cent from a year earlier.

Some forecasts suggest a total of 19,000 bankruptcies for the year as a whole.

EUROPE

Paris and Amsterdam hit highs

THE DECEMBER rush to purchase shares in Paris brought the CAC general index to a record high of 151.1 while other European bourses kept a watchful eye on events in the Middle East and the strength of the U.S. dollar.

French investors benefit from a Government tax incentive if they are net purchasers of French shares during a year so December often sees a late spurt of institutional activity, although the weakness of the franc against the dollar drew some support for shares with American exposure.

Perrier, which controls a major part of the U.S. mineral water market, rose FFr 19 to FFr 439, while Moët Hennessy added FFr 33 to FFr 1,420. Moulinex gained 50 centimes to FFr 110.50.

Elsewhere, Matra put on FFr 41 to FFr 1,260, L'Oreal shed FFr 10 to FFr 2,176 and Roussel-Uclaf was unchanged at FFr 632.

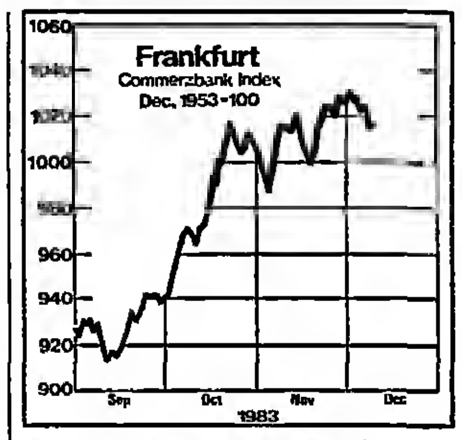
Quiet trading in **Amsterdam** left prices mixed to higher but pushed the all-share index to a record 148.1, a rise of 0.2, while the industrial index was 0.5 higher at a record 121.7.

In internationals, Philips rose 90 cents to Fl 41.60 while KLM shed Fl 1.5 to Fl 169, despite a 10 per cent rise in November traffic.

ABN gained Fl 13 to Fl 368 and Westland Utrecht Bank added Fl 2 to Fl 102.5. Akzo improved 10 cents to Fl 66.3 while Boskalis Westminster was unchanged at Fl 40.5.

Domestic bond prices were unchanged to 20 cents higher.

A weak start in **Frankfurt** was overcome by an unexpected rally which



seemed to ignore the strength of the dollar and a weakening bond market. The Commerzbank index gained 2 to 1,016.3.

Motors saw VW rise DM 3.60 to DM 201.6, Daimler advance DM 6.50 to DM 651 on its new stock drawing rights and BMW gain DM 1 to DM 429.50.

Domestic bonds were weaker in thin featureless trading, while the Bundesbank bought DM 11.9m worth of paper to steady the market.

End account liquidation and fears over Middle East events dominated thin **Milan** trading which ended easier, while **Stockholm** declines outnumbered advances by 65 to 32.

Foreign issues in **Brussels** moved higher with the index gaining 0.64 to 131.63.

AUSTRALIA

RELIEF THAT the Australian dollar appreciated only modestly on the first day of its free float was evident in Sydney trading yesterday when shares firmed across the board and the All Ordinaries index closed eight higher at 743.6.

"There is no doubt that the market has endorsed the Government's view of what bad to be done," Mr Paul Keating, Australia's Treasurer, said.

Meanwhile, the National Commercial Banking Corporation of Australia forecast a 4 per cent rise in real gross domestic product for 1984, with agriculture likely to lead the recovery.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¼	8⅞	AAR	.44	3.2	18	178	13¾	13⅝	13¾	+ ⅛
52⅞	29½	ACF	1.40	2.8	240	101	50⅞	50⅜	50⅜	
18⅞	14⅜	AMF	.50	3.3		626	15⅝	15¼	15⅜	− ⅛
39⅞	18½	AMR Cp			16	2534	36½	36	36½	+ ½
19½	15	AMR	pf2.18	12		666	18⅝	18⅜	18⅜	− ⅛
40¼	24⅞	AMR	pf2.13	5.6		2	37⅞	37⅞	37⅞	+ ½
16¼	3⅛	APL			22	58	15⅛	14⅞	15⅛	+ ⅛
55¾	33¼	ARA	2.05	4.0	11	475	52⅛	51⅝	51¾	−1⅛
73⅞	50¾	ASA	3a	5.3		187	57¼	56⅝	56⅝	
33⅛	14	AVX	s.32	1.2	41	61	27½	25⅞	27⅞	− ⅛
53⅞	38⅞	AbtLab	1	2.3	18	590	44½	43¾	44¼	− ¼
30⅞	23⅞	AccoW	n.60	2.2	20	450	27½	26⅞	27½	+ ⅛
27½	16¾	AcmeC	.40	1.5		20	25¼	25⅛	26⅛	− ⅛
14⅞	7⅞	AcmeE	.32b	2.7	600	12	12	12	12	
24⅞	8⅞	AdmDg	.04	.2	16	16	20⅞	20¼	20¼	
18⅞	15	AdaEx	1.73e	6.9		36	18¼	18	18	− ⅛
19¾	7⅞	AdmMl	.24	1.5	9	39	15¾	15⅝	15⅝	+ ⅛
18⅝	8⅞	Advest	.12	1.0	8	164	13¼	12⅞	12⅞	− ⅛
35½	11⅛	AMD	s		35	2026	33¼	32½	33¼	+ ½
24⅝	12⅞	Aeflx	s		17	19	16¼	16⅛	16¼	+ ⅛
43½	32⅞	AetnLf	2.64	7.3	9	3074	37	36¼	36⅞	
65	55¼	AetL	pf5.09e	8.9		4	56⅞	56⅝	56⅞	+ ¼
40½	22½	Ahmns	1.20	4.3	6	154	28⅞	28¼	28¼	
7⅞	2⅞	Aileen				36	5⅛	5⅛	5⅛	
51	31	AirPrd	1	2.1	13	487	47¼	46⅜	46⅜	− ⅛

Continued on Page 35

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 36

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 34

Continued on Page 36

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 35

NEW YORK CLOSING PRICES

Continued from Page 35

DENMARK

Dec. 12	Price Knr %	+ or −
Aarhus Olie	415	+5
Andelsbanken	379	+6
Baltica Skand.	520	+10
CopHandelsbank	280	+3
D. Sukkerfab.	646xr	
Danske Bank	600	+5
East Asiatic	142	+5
Forende Brygg.	1,320	
Forende Damp.	180	+7
GNT Hldg.	530	
I.S.S.B.	700	
Jyske Bank	565	+12
Novo Ind.	6,185	
Privatbanken	280	+5
Provinsbanken	300	+2
Smidth (F)	260	+4
Sophus Berend	250	+10
Superfos	489	

FRANCE

Dec. 12	Price Frs.	+ or −
Emprunt 4½% 1975	1,850	−5
Emprunt 7% 1973	9,775	−95
CNE 3%	5,101	−4
Air Liquide	519	−2
BIC	410xe	+1
Bouygues	890	+12
BSN Gervais	2,583	+2
CIT-Alcatel	1,515	−25
Carrefour	1,305	−1
Club Mediter'n	766	+4
CFAO	680	+5
Cie Bancaire	586	+5.9
Cofimeg	189.5	−1.8
Creusot Loire	44.5	
Darty	755	−3
Dumez	880	
Eaux (Cie Gen)	530	−9
Elf-Aquitaine	178	+4.4
Gen. Occidental	681	+1
Imetal	61	+0.6
Lafarge Coppee	374.8	+6.8
L'oreal	2,176	−10
Legrand	2,025	+14
Maisons Phenix	336.5	+2.5
Matra	1,260	+41
Michelin B	761	−9
Midi (Cie)	1,400	+10
Moet-Hennessy	1,480	+35
Moulinex	110.5	+0.3
Nord Est	50.8	−0.8
Pernod Ricard	749xr	+14
Perrier	439	+19

NETHERLANDS

Dec. 12	Price Fls.	+ or −
ACF Holding	183.5	+3.5
Aegon	109.5	−2.0
Ahold	181.0	−1.0
AKZO	88.3	+0.1
ABN	368	+3
AMEV	150.5	−1.5
AMRO	61.3	+0.1
Bredero Cert	180	−1
Boskalis Westm.	40.5	−0.2
Buhrmann-Tet.	54.5	+1.5
Calend Hldgs.	33.1	−0.4
Credit Lyon'is BK	40.0	−0.1
Elsevier-NDU nv.	465	−6
Gist-Brocades	159.0	−4.2
Heineken	187.5	+0.2
Hoogovens	40.7	+0.4
Hunter Douglas	21.5	+0.6
Int-Muller	63.5	+1.0
KLM	169.0	−1.0
Naarden Intl	40.0	−0.8
Nat Ned Cert	187.0	−6.5
Ned. Credit Bank	62.5	+0.5
Ned Mid Bank	148	−1
Nedlloyd	110.3	+2.2
Oce Grinten	237.0	−0.0
Ommeren (Van)	66.5	+0.4
Pakhoed	54.0	−0.8
Philips	41.2	−0.9
Rijn-Schelde	3.8	−0.1
Robeco	329.0	−1.4
Rodamco	199.6	+0.2
Rolinco	314.0	+0.1
Rorento	198.2	−0.5
Royal Dutch	136.5	−1.8
Unilever	248.9	+0.4
VMF Stork	85.5	+0.5
VNU	119.0	−2.5
West Utr Bank	102.5	+2.0

NORWAY

Dec. 12	Price Kroner	+ or −
Bergens Bank	141.0	−0.5
Borregaard	190	+5
Christiania Bk	141.0	+1.5
Den Norsk Credit	147	−1
Elkem	123	+8
Norsk Data	860.0	+2.5

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Indices

	Dec 12	Dec. 9	Dec. 8	Dec. 7	1983 High	1983 Low
AUSTRALIA						
All Ord. (1/1/80)	745.5	756.8	737.0	736.8	745.4 (29/11)	487.5 (4/1)
Metals & Mins. (1/1/80)	539.4	528.5	542.4	541.5	614.2 (5/9)	411.5 (4/1)
AUSTRIA						
Credit Aktien (2/1/62)	54.22	54.2	(c)	54.43	59.8 (5/5)	46.46 (15/2)
BELGIUM						
Belgian SE (31/12/63)	161.63	159.94	159.49	129.67	164.45 (1/8)	100.58 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	195.81	—	195.79	195.81	204.32 (15/9)	100.00 (3/1)
FRANCE						
CAC General (31/12/82)	161.5	150.6	161.3	150.4	151.5 (12/12)	98.1 (3/1)
Ind Tendance (31/12/82)	162.6	162.2	162.4	161.6	162.6 (12/12)	98.0 (5/1)
GERMANY						
FAZ-Aktien (31/12/58)	344.66	345.24	346.56	346.35	346.5 (2/12)	241.88 (25/1)
Commerzbank (Dec 1953)	1016.5	1014.5	1025.6	1022.7	1031.5 (2/12)	727.3 (25/1)
HONG KONG						
Hang Seng Bank (31/7/64)	856.74	858.59	875.69	874.36	1102.64 (21/7)	690.06 (4/10)
ITALY						
Banca Comm Ital. (1972)	185.16	186.46	(c)	185.95	214.93 (21/5)	160.46 (19/1)
JAPAN**						
Nikkei-Dow (16/5/49)	9442.09	9448.9	9461.93	9484.68	9565.25 (17/10)	7803.18 (25/1)
Tokyo SE New (4/1/68)	689.47	686.74	699.81	687.83	693.81 (6/12)	574.81 (25/1)
NETHERLANDS						
ANP-CBS General (1970)	148.1	147.9	148.0	148.0	148.1 (12/12)	100.1 (4/1)
ANP-CBS Indust (1970)	121.7	121.2	120.6	120.1	121.7 (12/12)	83.5 (4/1)
NORWAY						
Oslo SE (4/1/83)	214.29	209.56	206.44	203.92	217.50 (10/10)	99.61 (4/1)
SINGAPORE						
Straits Times (1966)	896.04	969.99	954.72	844.60	992.62 (25/8)	712.28 (5/1)
SOUTH AFRICA						
Gold (1958)	(u)	841.7	872.4	864.2	1099.5 (11/2)	681.4 (1/11)
Industrial (1958)	(u)	922.5	922.5	914.1	938.7 (29/6)	704.8 (5/1)
SPAIN						
Madrid SE (31/12/82)	(c)	122.5	(c)	123.40	129.14 (10/11)	96.52 (11/1)
SWEDEN						
Jacobson & P. (1/1/58)	1514.99	1520.85	1524.24	1522.21	1826.55 (2/12)	896.18 (3/1)
SWITZERLAND						
Swiss Bank Cpn. (31/12/58)	370.5	371.0	372.1	371.4	372.9 (8/12)	284.4 (4/1)
WORLD						
Capital Intl. (1/1/70)	—	180.7	181.4	181.9	185.8 (10/10)	154.3 (3/1)

(**) Saturday Dec 10: Japan Nikkei-Dow (c). TSE (c).
Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrial. § 400 industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON STOCK EXCHANGE

MARKET REPORT

Disappointment with GEC interim halts equity rise

Index down 3.4 at 753.7—Gilts dull

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Nov 28	Dec 8	Dec 9	Dec 19
Dec 12	Dec 22	Dec 29	Jan 9
Dec 30	Jan 12	Jan 13	Jan 23

* " New-time " dealings may take place from 9.30 am two business days earlier.

London equity markets made a confident start to the three-week Christmas trading Account but an early attempt to extend the recent record-breaking performance lo equities faltered following disappointment with the interim statement from GEC. Government Securities, meanwhile, remained overshadowed by high U.S. interest rates and fell further.

After Friday's hiccup on profit-taking, leading shares were soon challenging new peaks as renewed institutional support again found stock in short supply. Consumer-orientated stocks were to the fore on hopes of bumper seasonal consumer spending, while company trading statements and week-end Press recommendations provided plenty of interest elsewhere among secondary issues.

The early confidence of blue chips was well illustrated by the Financial Times Industrial Ordinary share index which by 1 pm stood at 760.5, slightly up on last Thursday's closing peak. GEC's interim profits came out around £20m below recent optimistic forecasts and quickly changed the picture; GEC closed 17 down at 176p, after touching a 1983 low of 174p, and took about two points off the index. Other leading shares drifted lower in sympathy and tha index finished 3.4 down on balance at 753.7.

Among those index constituents to show to advantage, BTR advanced 18 to a peak of 432p on a continuing "bear" squeeze, whila Boots were not far behind with a rise of 5 at 185p, also a new high.

Friday's bigger-than-expected contraction in the U.S. money supply figures failed to impress a gilt-edged market still fearful about the future of U.S. interest rates. Recent forecasts by leading Wall Street analysts that rates might well rise continued to inhibit buying interest, while sterling's continued decline against the U.S. currency and the inflationary implications of the strong dollar also served as a brake on sentiment. Falls at the longer-end of the market extended to ½ at one stage, but were reduced to ⅜ by the close. Shorter maturities were irregular and the FT Government Securities index closed 0.26 down at 82.51, its lowest for nearly five weeks.

Eagle Star react

Suggestions that Allianz would come back with a bid only marginally higher than BAT Industries' 660p per share offer prompted dealers to mark Eagle Star down to 694p at the outset, but the shares settled a shade off the bottom at 697p, down 13 on balance. The major clearing banks drifted easier as small sellers gained the upper hand. Midland ended 7 off at 440p. Scottish banks, however, mada another bright showing on speculative demand fuelled by takeover hopes; Bank of Scotland touched a high for the year of 700p before closing a net 16 up at 698p, while Royal Bank of Scotland gained 5½ to 179 xd. Among Merchant Banks continued hopes of a U.S. bid for the group lifted Hill Samuel 25 to 345p; over the weekend, the chairman reportedly denied that the company had received any approaches. *Discount Houses* were firm, Union rising 15 to a high for the year of 645p.

Selected Breweries easier after dividend deductions included Allied Lyons, a fraction cheaper at 144p xd, and Bass, 3 off at 316p xd. Matthew Brown closed 6 lower at 220p xd and Wolverhampton and Dudley 3½ cheaper at 234p xd.

Significant movements in Buildings were few but buyers were still around for Henderson Group, which rose another 7 to 177p. Among Timbers, Meyer International touched 160p before closing 3 cheaper on balance at 156p awaiting today's interim statement. Phoenix Timber, half-timer due on Thursday, hardened 2 to 98p. Elsewhere, UBM firmed 3 to 125p on revived bid hopes, while RMC hardened a penny to 398p following overseas acquisition news. Housebuilders William Leech attracted support ahead of Thursday's preliminary statement and firmed 3 to 69p.

Laporte became prominent in the Chemical sector, rising 10 to 335p, after 338p, in a market none-too-well supplied with stock. Press comment stimulated interest in Blagden Industries, which rose 8 to 102p, while the return to profitability at the half-way stage left Leigh Interests a shade firmer at 91p.

Newsagents better

Leading Retailers retained much of their early firmness but movements were small. Martin the Newsagents rose to 160p in response to the increased dividend, but drifted back later following the reference to continuing pressure on profit margins to close only 3 up on the day at 155p. John Menzies gained 7 to 302p and NSS Newsagents rose 4 to 86p. Favourable Press mention left A. Caird 3 better at 48p and Foster Bros. 2 up at 104p, while Amber Day revived with a gain of 1½ to 15p on reports of a possible shell situation. S. Simpson A picked up 6 at 144p.

Two recent high-fliers in Shoes came in for renewed support, FII rising 5 to 149p and Strong and Fisher 4 to 78p.

Some disappointment with the interim figures from GEC had a noticeable impact on other leading Electricals. Plessey, up to 229p at one stage, reacted to close only a penny up on the day at 224p, while Racal settled with a fall of 2 at 202p after touching 208p and Thorn EMI ended 8 cheaper at 635p. Elsewhere, Pressac, a good market last week on Press mention, were in renewed demand and featured with a jump of 19 to 201p. United Scientific, preliminary results due on Thursday, were also outstanding at 385p, up 17.

Leading Engineers ended on a slightly easier note, but secondary issues provided some good features with Baker Perkins prominent at 114p, up 14, in response to the recovery in interim profits. Satisfactory half-year results also left Crown House 5 to the good at 105p. In contrast, lower annual profits prompted a fall of 2 to 32p in RHP. Thomas Rabinson gained 7 to 42p in a restricted market on talk of a possible change of control in the company. Revived demand left Babcock International 6 to the good at 162p, while Manganese Bronze were also supported and put on 4 to 32p.

Leading Foot Retailers, good of late on Christmas spending hopes, gave ground in places in the absence of fresh support. Associated Dairies eased 5 to 150p and Tesco 3 to 167p. Selected secondary issues, however, made fresh progress, Hillards rising 8 to 254p and Bishop's Group "A" 10 to 240p, the latter on bid hopes. Elsewhere, Unigate hardened a couple of pence to 116p; the interim results are due on Thursday. Clifford's Dairies "A" attracted fresh support and put on 3 to 106p. Hazlewood Foods rose 15 to a high for the year of 530p in response to the increased half-year profits and dividend.

Grand Metropolitan, up 17 last week, met further support and firmed 5 to 350p. Buyers also came in for Queens Moat, which improved 1½ to 36½p, but De Vere Hotels shed 5 to 303p, after 300p, on news that Selfpost's 340p per share bid for the company had foundered.

Partly reflecting a continuing squeeze on bear positions, BTR made fresh headway with a rise of 16 to 432p. Other leading miscellaneous industrials also made a bright showing, although gains were relatively modest. Boots, helped by U.S. demand, improved 5 to a peak of 185p, while BOC edged up 4 to a high of 264p. Elsewhere, trading statements prompted some noteworthy movements; better-than-expected annual results left Dobson Park 7½ to the good at 69p, after 70p, while West's Group improved 4 to 108p on the interim figures. Stanelco responded to the recovery in annual profits with a rise of 8 to 53p, but Whitecroft Industrial dipped 15 to 159p on disappointment with the interim figures.

Comment ahead of the annual report lifted Polly Peck 2 to £25½, with Cornell rising 5 to 220p and Wearwell 9 to 85p in sympathy. Wolverhampton Steam Laundry continued to meet speculative demand on hopes of a possible assets injection and moved ahead strongly to 185p before settling well below the best with a gain of 19 on balance at 169p. Shaw and Marvin rose 5 and Widney 2, both to 15½p, following a tip sheet recommendation. Weekend Press mention stimulated buying interest in Bridport-Gundry, 4 dearer at 74p xd. Norcros were supported and put on 10 to 153p, while fresh demand lifted Granada 6 to 176p. Ecobric, however, encountered further offerings and fell 7 more to 53p.

Pavilion Leisure, up 10 last Friday on speculative demand, gained 5 more to 90p, while Inn Leisure firmed 2 to 36p xd. Elsewhere in the sector, Tottenham Hotspur encountered fresh selling and shed 2 to a low of 82p.

Motor manufacturers presented a couple of small features in Lotus, up 3 at 69p, and ERF, 4 dearer at 39p. Among Components, Lucas Industries drifted back late to end 3 off at 167p; the chairman warned of further job losses when addressing shareholders at yesterday's annual meeting.

Newspapers were little affected by the threat of a 24-hour NGA strike. Among Paper / Printings, Brunning Group issues went easier ex the dividend with the Ordinary 7 down at 117p. Awaiting today's preliminary statements, McCorquodale slipped 6 to 280p, but Associated held at 107p. Elsewhere, Geers Gross reacted late on the second-half profits warning to finish 2 down at 92p, after 96p.

Leading Properties, resilient of late following a re-rating, turned distinctly easier yesterday. Land Securities, quoted ex the scrip issue, ended 4 off at 256p, while MEPC, a particularly good market since the preliminary results, came back 10 to 265p xd. Elsewhere, dealings in Allnatt London Properties and Guildhall Property were suspended at the companies' requests, at 220p and 132p respectively, following the resumption of merger discussions with Slough Estates; the last-named, in which trading continued, dipped to 116p before closing a net 3 off at 119p.

Allied Textiles attracted support and closed 6 up at a peak for the year of 266p but Shaw Carpets, despite the interim dividend restoration and good first-half results, came back 1½ to 41p, after 40p.

Many Investment Trusts caught up with last week's firmness in equities including Ashdown, 320p, Fashion and General, 280p, and Gresham House, 205p, all of which rose about 5. Among Financials, Aitken Hume issues revived on thoughts that the recent decline had been overdone; the old shares closed 3 up at 145p, after 147p, and the new nil-paid 2 higher at 4p premium, after 5p premium. In a narrow market, Authority Investments rose 6 to 81p.

News of the bomb attacks on Kuwait prompted a small mark up in Oil shares at the start of trading, but quotations subsequently drifted back on lack of interest and closed with little alteration on balance. Irish Oils, on the other hand, enjoyed reasonably active trading. Atlantic Resources settled with a gain of 20 at 715p, after 725p, and Eglinton finished 5 to the good at 290p, after 305p.

Press advice urging caution lowered Tozer Kemsley a penny to 23p in Overseas Traders. Elsewhere, revived small demand took Gill and Duffus 3 higher to 189p.

Far-Eastern advices raised Harrisons Malay Plantations 5 to 155p in a sector notable only for the absence of London interest.

Generally buoyant mining markets were highlighted by the strong performance of leading Australian issues following last Friday's moves by the Australian Government to allow a free flotation of the Australian dollar against other currencies.

The moves, regarded at the end of last week as bearish in the short term, attracted persistent buying interest in overnight Sydney and Melbourne markets which, in turn, encouraged strong support in London where dealers reported good institutional demand.

The top-quality diversified mining stocks were aggressively bought, especially CRA and MIM Holdings, which rose 16 apiece to 370p and 234p respectively, while North Broken Hill advanced 12 to 196p.

Golds were well to the fore with Poseidon especially firm and finally 13 to the good at 295p, Central Norseman 5 harder at 443p and North Kalgurli 3 firmer at 66p. Second-line Golds provided features in Carr Boyd, which rose 4 to 84p, and Great Victoria Gold, 2 better at 16p.

Umal Consolidated jumped 15 to 195p in response to the takeover bid from BHP.

South African sectors were much quieter than Australians, but were picking up in the after-hours business amid talk of good demand from New York.

Share prices opened on a steady note and gradually improved aided by a firm bullion price which closed a net $2.75 to the good at $391.625 an ounce.

Features in Golds were few and far between but persistent support was seen for Blyvoor, 31 up at 990p, East Rand Proprietary, ¼ harder at £10⅞, and most of the mines in the Gold Fields group which are due to announce December dividend payments today. Among the latter, Libanon attracted heavy support and rose £1½ to £39½ while Kloof added ½ at £31½.

Financials were little changed overall. London issues showed RTZ a weak market at 585p, down 8, despite firmer copper prices on the London Metal Exchange, while, in South Africans, gains of ¼ were common to Anglovaal, £36¼, and GFSA, £77½.

Total Traded Option contracts yesterday numbered 2,898, slightly higher than last week's average. Calls amounted to 2,218 with 713 being transacted in GEC. Puts totalled 680, of which 418 were also done in GEC.

FINANCIAL TIMES STOCK INDICES

	Dec. 12	Dec. 9	Dec. 8	Dec. 7	Dec. 6	Dec. 5	year ago
Government Secs.	82.51	82.77	85.29	85.33	83.00	82.88	77.79
Fixed Interest	86.90	86.25	86.41	86.41	86.27	86.16	80.52
Industrial Ord.	753.3	757.1	760.2	753.6	748.2	748.0	582.1
Gold Mines	573.1	857.2	622.3	51 0 e	583.0	579.5	502.3
Ord. Div. Yield	4.64	4.63	4.60	4.63	4.93	4.69	5.08
Earnings, Yld.% (full)	9.50	8.48	8.45	9.53	9.58	9.66	10.88
P/E Ratio (net) (*)	12.93	12.99	19.88	12.79	19.72	12.62	11.03
Total bargains	21,030	22,620	25,109	90,046	29,734	20,046	22,646
Equity turnover £m.	—	634.24	297.26	906.72	219.61	227.08	167.61
Equity bargains	—	23,414	21,144	19,172	17,810	18,742	18,172
Shares traded (ml)	—	187.8	185.6	169.6	167.4	140.6	112.9

10 am 759.9. 11 am 760.3. Noon 760.3. 1 pm 760.5. 2 pm 758.4. 3 pm 757.3.

Basis 100 Govt. Secs. 18/1/28. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/1/58. SE Activity 1974. †Correction.

Latest index 01-246 8026.

Nil=12.07.

HIGHS AND LOWS

	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.70 (11/11)	77.00 (24/1)	127.4 (9/1/35)	49.19 (6/1/75)
Fixed Int.	86.41 (1/12)	79.03 (1/2)	150.4 (28/11/47)	60.53 (3/1/75)
Ind. Ord.	760.2 (8/12)	598.4 (12/1)	760.2 (8/12/83)	49.4 (26/6/40)
Gold Mines	784.7 (15/2)	444.8 (1/11)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 9	Dec. 8
—Daily		
Gilt Edged Bargains	172.3	196.5
Equities Bargains	161.7	137.0
Value	575.6	600.9
5-day Average		
Gilt-Edged Bargains	179.2	179.1
Equities Bargains	†128.7	120.0
Value	620.2	483.7

Ambrose Wilson

Mail order retailer Ambrose Wilson has shown higher pre-tax profits of £473,000 compared with £354,000 for the 27 weeks to September 3 1983. Turnover, including VAT, expanded from £5.31m to £7.13m.

Tax amounted to £213,000 (£138,000).

NEW HIGHS AND LOWS FOR 1983

NEW HIGHS (86)

AMERICANS (5) Campbell Soup, Rohr Inds. Inc., City Inv., Sperry Corp., I.U. International

CANADIANS (1) Hudson's Bay

BANKS (7) Alexanders Discount, Westpac, Bank of Scotland, Enitic Leasing, Hill Samuel, Cie. Bancaire, Union Discount

BREWERS (1) Scot. & Newcastle

BUILDINGS (1) Rohan

CHEMICALS (1) Laporte Inds.

STORES (2) Dixons, Gee (Cecil)

ELECTRICALS (5) A.B. Electronic, Suter, Dubilier, Toshiba Corp., Pressac

ENGINEERING (5) Carclo Eng., Delta Group, Christy Bros., Robinson (Thos.), Crown House

FOODS (2) Hazlewood Foods, Hinton (A.)

HOTELS (1) Mount Charlotte

INDUSTRIALS (19) Aero Needles, Dunhill, BOC, Emhart Corp., Do. 9pc Cnv. Uns. Ln. 2001-06, Hewitt (J.), Morgan Crucible, BTR, Moss (Robert), Boots, Norcros, Bridport-Gundry, Sale Tilney, Broken Hill Prop., TNT, DPCE, Wade Potteries, Dollonds Photo., Wolv. Steam Laundry

INSURANCE (3) Hambro Life, Pearl, Legal & General

MOTORS (1) Lotus Car

PAPER (1) Clondalkin

PROPERTY (1) Warner Estate

SHIPPING (1) Brit. & Com'wealth

SHOES (1) FII

TEXTILES (1) Allied Textile

TRUSTS (22) Ambrose Cap., G.T. Japan, Argo Inv., Gen. Investors, Border & Southern, Murray Northern, Cystic Fib. Res'rch, New Australia, Drayton Far East, Scottish Inv., Family, Scot. Mort. & Trust, Fleming Claverhouse, Scot. National, Fleming Far Eastern, TR Australia, Fleming Japanese, Triplevest Cap., Do. B, Authority Inv., Fleming Universal, Centreway Trust

OILS (3) Brunswick, Pict Pet., Moonie Oil

OVERSEAS TRADERS (1) Boustead

MINES (1) Paringa Mining

NEW LOWS (23)

BRITISH FUNDS (1) Conv. 10¼pc 1999

AMERICANS (1) Amer. Medical Int.

BREWERS (1) Wolv. & Dudley

BUILDINGS (2) Burnett & Hallams, Lilley (F. J. C.)

ELECTRICALS (1) GEC

ENGINEERING (1) Bailey (C. H.)

FOODS (1) Bio-Isolates

INDUSTRIALS (7) Ecobric, Metal Sciences, Lond. & L'pool Tst., Pritchard Services, Lond. Priv. Health, Ricardo Cons. Eng., Lond Priv. Health

LEISURE (1) Tottenham Hotspur

MOTORS (1) Harrison (T. C.)

PAPERS (1) Geers Gross

OILS (3) Edinburgh Secs., New Court Nat., Jebsens Drilling

MINES (2) United Goldfields, Centennial Minerals

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Dec 12 1983 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri Dec 9 Index No.	Thurs Dec 8 Index No.	Wed Dec 7 Index No.	Tues Dec 6 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (203)	458.97	−1.3	9.18	3.87	14.02	464.88	465.56	462.06	460.43	410.85
2	Building Materials (24)	446.79	−0.3	10.98	4.69	11.34	448.26	448.02	444.22	447.55	387.13
3	Contracting, Construction (30)	669.90	−0.1	14.08	5.34	8.86	670.52	673.82	672.53	671.26	706.67
4	Electricals (38)	1611.70	−3.7	8.31	2.40	15.66	1673.68	1677.50	1660.31	1665.27	1593.85
5	Engineering, Contractors (10)	437.75	+0.2	13.26	6.37	9.62	436.89	429.68	426.53	423.77	444.76
6	Mechanical Engineering (59)	207.53	+0.3	11.47	5.42	10.79	206.92	207.77	207.30	203.97	191.08
8	Metals and Metal Forming (9)	170.35	+0.1	10.95	6.88	11.10	170.21	169.58	168.61	168.02	139.13
9	Motors (17)	118.87	−0.6	1.48	4.56	—	119.59	120.46	120.60	119.52	73.10
10	Other Industrial Materials (16)	608.67	+2.8	5.15	3.68	25.74	592.07	591.54	586.54	571.38	353.59
21	CONSUMER GROUP (197)	456.08	−0.1	10.48	4.38	11.65	456.40	459.73	456.32	453.73	396.29
22	Brewers and Distillers (23)	453.97	−0.6	13.04	5.17	9.55	456.51	457.87	454.37	449.98	430.33
25	Food Manufacturing (22)	361.02	+0.1	12.81	5.61	9.10	360.81	362.50	360.01	359.39	320.78
26	Food Retailing (13)	1052.15	−1.1	7.67	2.68	16.71	1063.56	1068.85	1061.09	1057.24	849.71
27	Health and Household Products (9)	726.11	−0.3	6.50	3.03	18.08	727.98	741.00	741.13	741.42	682.62
29	Leisure (23)	594.66	+0.1	8.53	4.59	15.14	593.77	596.39	591.56	583.25	444.79
32	Newspapers, Publishing (15)	1005.96	−0.2	8.64	4.73	13.91	1007.52	1012.74	1005.60	1003.97	582.29
33	Packaging and Paper (14)	210.65	+1.0	11.33	4.83	10.97	208.61	208.96	208.26	207.29	142.48
34	Stores (47)	427.30	+0.7	7.93	3.62	16.99	424.26	427.60	421.62	417.73	372.53
35	Textiles (20)	248.45	−0.3	12.12	4.78	9.55	249.32	249.97	249.11	247.11	169.20
36	Tobaccos (3)	437.06	−0.7	21.88	7.80	5.13	440.41	464.75	462.20	462.20	441.16
39	Other Consumer (8)	444.16	−0.1	10.14	5.66	—	444.73	448.90	447.81	445.29	322.32
41	OTHER GROUPS (84)	416.46	—	8.00	4.21	15.79	416.58	427.75	411.98	411.05	277.63
42	Chemicals (16)	620.26	+0.4	7.12	4.12	18.62	617.83	621.96	618.09	608.76	371.47
44	Office Equipment (6)	110.82	+0.7	8.68	4.64	14.36	110.06	110.48	110.85	111.33	82.61
45	Shipping and Transport (14)	788.57	+0.6	8.05	5.15	16.78	784.14	793.95	792.68	796.82	497.72
46	Miscellaneous (48)	528.31	−0.7	8.79	4.05	13.66	531.78	530.82	523.04	520.52	340.20
49	INDUSTRIAL GROUP (484)	456.08	−0.5	9.66	4.19	12.90	458.14	460.29	456.39	454.36	385.48
51	Oils (16)	923.90	+0.2	12.10	6.42	10.04	922.18	933.61	920.19	913.02	725.96
59	500 SHARE INDEX	495.20	−0.3	10.05	4.55	12.33	496.93	499.87	495.16	492.70	413.78
61	FINANCIAL GROUP (125)	367.54	−0.2	—	5.33	—	368.13	370.56	366.89	366.94	262.98
62	Banks (6)	383.11	−0.5	22.59	6.69	4.80	385.15	389.18	386.96	383.76	283.42
63	Discount Houses (8)	339.43	+1.3	—	8.04	—	335.28	334.18	334.73	334.73	269.30
65	Insurance (Life) (9)	500.47	+0.8	—	4.50	—	496.68	497.89	491.04	492.09	350.61
66	Insurance (Composite) (10)	252.32	−0.1	—	6.09	—	252.52	254.69	252.01	254.34	169.89
67	Insurance Brokers (7)	641.07	+0.3	10.67	4.59	12.82	639.44	639.53	619.12	618.36	457.96
68	Merchant Banks (12)	222.84	+1.5	—	4.14	—	219.58	219.27	216.35	216.75	150.87
69	Property (53)	527.09	−1.1	5.70	4.05	23.45	532.90	535.16	532.32	533.75	396.86
70	Other Financial (18)	258.22	—	10.67	5.25	11.29	258.23	261.63	258.38	256.23	178.32
71	Investment Trusts (108)	470.01	−0.2	—	3.79	—	471.12	470.31	465.65	462.70	345.52
81	Mining Finance (4)	280.95	−0.9	9.39	5.19	13.07	283.48	289.24	286.74	283.29	224.82
91	Overseas Traders (15)	488.19	−0.2	7.85	7.67	18.17	489.21	487.32	485.11	482.47	360.75
99	ALL-SHARE INDEX (750)	463.85	−0.3	—	4.69	—	465.33	468.65	463.59	461.60	374.19

FIXED INTEREST

	PRICE INDICES	Mon Dec 12	Day's change %	Fri Dec 9	xd adj. today	xd adj. 1983 to date
	British Government					
1	5 years	117.59	+0.08	117.42	—	11.02
2	5-15 years	131.85	−0.23	132.16	—	12.80
3	Over 15 years	141.56	−0.31	142.01	—	13.24
4	Irredeemables	149.66	−0.73	150.75	—	13.57
5	All Stocks	130.11	−0.15	130.31	—	12.56

	AVERAGE GROSS REDEMPTION YIELDS		Mon Dec 12	Fri Dec 9	Year ago (approx)
	British Government				
1	Low Coupons	5 years	9.41	9.39	9.17
2		15 years	10.05	10.01	10.64
3		25 years	9.81	9.76	10.89
4	Medium Coupons	5 years	11.05	11.03	11.90
5		15 years	10.73	10.68	11.86
6		25 years	10.20	10.16	11.35
7	High Coupons	5 years	11.18	11.15	11.98
8		15 years	10.88	10.84	11.99
9		25 years	10.30	10.26	11.50
10	Irredeemables		9.82	9.75	10.91
11	Debs & Loans	5 years	11.44	11.49	12.69

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$400	85	11	50	24	—	—	$391.70
GOLD C	$425	50	5	43	13	—	—	"
GOLD C	$450	4	2	—	—	—	—	"
GOLD P	$350	1	1.50	6	6	—	—	"
GOLD P	$375	7	4.50	2	7	—	—	"
GOLD P	$400	—	—	89	17	—	—	"

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. ... end yield based on prospectus or other official estimates for 1983-84. Q Gross. † Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ⊕ Figures or report awaited. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✭ With warrants. ✱ Effective issue price after scrip. † Formerly dealt in under special rule. †† Dealt in under Rule 163 (3). ✣ Unlisted Securities Market. * Comprising of 10 New ordinary plus 1 Series B Warrant. C Canadian.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	64	31
Corpns. Dom. and Foreign Bonds	11	16	50
Industrials	380	238	784
Fin. and Props.	125	50	350
Oils	34	21	63
Plantations	6	2	12
Mines	64	36	68
Others	58	54	63
Totals	686	481	1,421

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 5	Dec 16	Mar 8	Mar 19
Dec 19	Jan 6	Mar 22	April 2
Jan 9	Jan 20	April 2	April 16

For rate indications see end of Share Information Service.

Stocks to attract money for the call included Rank Organisation, Lofs, James Wilkes, Phicom, Racal, Barratt Developments, First National Finance, Cornell, Smith & Nephew, Geo. Spencer, Whittington, Barker & Dobson, W. E. Norton, Aran Energy and Amber Day. London & Liverpool were dealt in for the put. No double options were reported.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Baker Perkins	114	+14
Eagle Star	697	−13
GEC	176	−17
Grand Met.	350	+ 5
Hill Samuel	345	+25
ICI	650	—
MEPC	265xd	−10
Pressac	201	+19
Royal Bank of Scotland	179xd	+ 5½
Slough Estates	119	− 3
Wearwell	89	+ 5
Whitecroft	159	−15

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Eagle Star	23	719	+ 1
Glaxo	18	730	−13
BP	16	392	− 6
GEC	16	193	− 2
Hanson Trust	18	267½	+ 3½
Polly Peck	16	£23½	− 0½
Barclays Bank	15	493	−10
Boots	15	180	+ 1
Grand Met.	15	345	—
ICL	15	50	—
Ryl. Bank Scot.	15	178	+ 9
Beecham	14	318	− 7
Comb. Tchnlgy.	14	30	− 2
Nat. West. Bk.	14	653	−10

LONDON TRADED OPTIONS

Option	Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
Imperial Group (*133)						
110	93	97	—	0½	1½	—
120	17	19	—	1½	2½	—
130	9	11	13	4	7	9
140	3½	6	8½	9	11	13
LASMO (*253)						
240	33	38	43	10	16	29
260	20	28	33	22	30	33
290	10	18	93	40	47	50
Lonrho (*108)						
99	20	91	23	1	2	2½
100	10	12	14½	3½	5½	6½
110	4	6½	8	9	11	12
P. & O. (*243)						
900	48	56	—	3	3	—
290	31	39	—	3	9	—
240	17	28	37	13	17	21
260	2	19	26	24	27	69
Racal (*202)						
180	29	40	39	3	3	8
900	16	24	34	19	14	18
220	7	14	—	22	24	—
230	2	7	—	—	—	—
R.T.Z. (*589)						
633	73	—	—	6	—	—
560	65	77	87	15	27	35
585	40	—	—	33	—	—
600	39	43	37	37	60	65
660	12	24	—	72	80	—
700	4	11	—	—	—	—
Vaal Reefs (*$107)						
90	19	22	26	3	4½	7½
100	13	15½	19	7	8	19½
110	8	11½	13½	12½	14½	17
120	4½	9	—	19	21½	—
139	1¾	5	—	27	29½	—
140	1	2½	—	—	—	—

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1983 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99½	96¼	Funding 5½pc '82-84‡‡	99½xd	......	5.52	8.95
101¼	99½	Exch. 11¼pc 1984	100½	....	11.22	9.10
104⅛	100½	Exchequer 14pc 1984	101⅞	-⅛	13.74	9.54
97¼	92½	Exch. 3pc 1984	97xd	.....	3.09	9.06
102¼	100¼	Treasury 12pc 1984	101½	....	11.80	9.60
107½	104½	Treasury 15pc 1985	105⅛	+⅛	14.26	10.15
107	101¼	Exch. 12pc Cnv. '85	102¼	-⅛	11.74	10.04
94	88⅝	Treasury 3pc 1985	93⅛	-⅛	3.21	7.68
102½	99⅛	Treasury 11½pc 1985	102¼xd	+⅛	11.26	10.07
102	95	Treas 8¾pcCnv '85	98⅛	+⅛	8.91	9.87
103¾	100⅛	Exch. 12¼pc 1985	103⅛	....	11.89	10.43
102⅞	99¼	Exch. 11¾pc '86	102⅛	.....	11.50	10.55
102¼	97¼	Treas 10pc Cnv 1986	101½	+½	9.93	9.62
88½	85⅝	Treasury 3pc 1986	88½	-⅛	5.39	8.32
101½	97¼	Exch 10½pc Cv '86	100¼	-¼	10.47	10.37
103½	100¼	Treasury 12pc '86	102½xd	.....	11.71	10.82
97½	94⅝	Treasury 8¼pc '84-86‡‡	97¼xd	.....	8.73	9.70
114	103¾	Treas 12¼pc '86 Cnv.	109xd	......	11.24	8.34
109⅛	105⅛	Exch. 14pc 1986	107⅛	.....	13.84	10.91
84⅞	80½	Exch 2½pc 1986 ●	84¼	......	2.95	8.46
107¼	103⅝	Exch 13¼pc 1987	105½	...	12.56	11.07
100⅛	95⅞	Treas 10¼pc Cnv '87	99⅝	+1	10.39	10.75
84⅛	80¼	Exchequer 2½pc 1987	83⅛	...	3.00	8.61
100⅛	95⅞	Exch. 10½pc 1987	98½	+⅛	10.63	10.91
93¾	88⅝	Funding 6½pc '85-87‡‡	91⅝	....	7.09	9.42
98½	96	Treas 10pc 1987	97⅝	+⅛	10.25	10.81
86	80¼	Treasury 3pc 1987	83¼xd	....	3.60	8.53
104⅝	99⅞	Treas 12pc 1987	102⅞	+⅛	11.67	11.04
93¼	89⅛	Treasury 7¾pc '85-88‡‡	92⅝	-⅛	8.37	9.95
101½	95½	Exch 10½pc '88	98¼	-⅛	10.63	10.86
98⅝	95½	Treas 9¾pc Conv '88	96½	-⅛	10.08	10.71
81½	75¼	Transport 3pc '78-88	80⅛xd	-⅛	5.74	8.29
96¼	90¼	Treas. 9½pc '88	94¾	-⅛	10.03	10.90

Five to Fifteen Years

1983 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
105½	95¼	Treasury 11½pc 1989	105	-⅛	11.34	15.18
103	98¼	Treas 10½pc 1989	98xd	-¼	10.71	10.98
20⅛	19½	Exch 10pc 1989 (£20pd)●	19⅝	-⅛	10.37	10.85
83¾	76	Treasury 5pc '86-89	82¼	-⅛	6.14	9.16
114	103	Treasury 15pc 1990‡‡	207¼xd	-⅛	11.99	11.07
109⅞	100⅞	Exch. 12½pc 1990	108⅛	-¼	11.89	11.23
93¼	86¼	Treasury 8¼pc '87-90‡‡	90¼xd	-¼	9.14	10.33
108¼	97	Treasury 11¾pc 1991	101⅞xd	-¼	11.46	11.23
83	74⅛	Funding 5¾pc '87-91‡‡	81¼	-⅛	7.17	9.58
103	95⅞	Exch. 11pc 1991	101¼	-⅛	11.03	11.03
114¼	102	Treasury 12¾pc '92‡‡	115¼	-¼	11.78	11.16
100	88⅝	Treasury 10pc 1992	99	-¼	10.43	10.75
110¼	98½	Exch. 12¼pc '92	109¼	-¼	11.60	11.21
116	106½	Exchequer 13½pc '92	115½	-⅛	12.84	11.27
114	101¼	Treasury 12½pc '93‡‡	107¼xd	-¼	11.55	11.10
79¾	71	Funding 6pc 1993‡‡	77¼	-¼	7.87	9.82
120¼	110½	Treasury 13¾pc 1993‡‡	115⅝	-⅛	11.97	11.22
125¼	112⅞	Treasury 14½pc '94‡‡	124½	-¼	12.04	11.10
117⅞	109¼	Exchequer 13½pc 1994	115⅝	-¼	11.88	11.23
113⅞	100½	Exch. 12½pc 1994	112⅝	-¼	11.55	11.14
94⅛	86¼	Treasury 9pc '94‡‡	91½	-⅛	9.91	10.41
118⅛	98	Treasury 12pc '95	110	-¼	11.39	11.13
65¼	61½	Gas 3pc '90/95	63¼	......	4.73	7.94
101¼	88¼	Exch. 10¼pc 1995	100⅞	-¼	10.67	10.85
116⅝	106¼	Treasury 12¾pc '95‡‡	112½	-¼	11.43	10.98

Over Fifteen Years

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%.

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

LOANS—continued

1983 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		Public Board and Ind.				
77½	71¼	Agric. Mt. 5pc '59-89	74xd	......	6.72	11.32
37¼	31¼	Met. Wtr. 3pc 'B'	36¼	.....	8.34	11.12
		Financial				
97½	92	Inv in Ind 6¼pcDb'81-'84	96	......	6.52	10.80
106½	96¼	Do. 10½pcUnLn '86	97½	.....	11.38	14.60
104	96½	Do. 11pc Uns.Ln '88	99½	.....	11.61	11.78
104½	97½	Do. 11¾pc Uns.Ln. '90	101½xd	.....	12.21	12.20
107½	91½	Do. 12½pc Un. Ln. 1992	107	.....	11.92	11.60
91½	74½	Do. 7¼pc A Deb '89-92	79	......	9.22	11.10
80	70½	Do. 7¼pcADeb. '91-94	79	.....	9.46	11.00
90½	80½	Do. 9% A '91-'94	90½	.....	10.17	10.85
89½	72½	Do. 8⅞pcLn. '92-97	89	-¼	10.36	10.80

FOREIGN BONDS & RAILS

1983 High	Low	Stock	Price £	+ or -	Div. % Gross	Red. Yield
15	8	Chinese 4½pc 1898	13	......	—	—
11	10	Do. 5pc 1912	10	....	—	—
11	8	Do. 5pc 1915	9	....	—	—
9½	5½	Do. 5pc '25 Boxer	9	....	—	—
48	40	Greek 7pc Ass.	48	......	3½	7.29
46	41	Do. 6pc 28 Stb. Ass.	46	....	3	6.59
44	38	Do 4pc Mixed Ass.	44	......	2	4.60
34	27	Hung. '24 Ass	33	+½	2¾	8.79
122½	102½	Hydro Quebec 15pc Ln 2011	118½	......	15	12.62

AMERICANS

CANADIANS

BANKS, H.P. & LEASING

FT LONDON SHARE INFORMATION SERVICE

BANKS—Continued

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING

FOOD, GROCERIES, ETC

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

مكتبنا الأصل

INDUSTRIALS—Continued

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
23	9¼	Keep Trust 5p	12	+½	†0.15	—	‡	—
210	140	Kelsey Inds.	198		8.0	1.7	5.8	13.6
130	58	Kennedy Smale	70	+2	♦—	—	—	—
155	130	Kershaw (A.) 5p	130		‡15.0	0.6	‡	(39.6)
80	39	Kleen-E-Ze Hldgs.	68xd	+1	‡4.5	0.5	9.5	—
101	52	L.C.P. Hlds	78	−1	3.6	1.5	6.6	(12.1)
32	14	LDH Group	27		—	—	—	♦
132	93	L.R.C. Intl. 10p	112	+1	†h2.95	2.6	5.8	12.5
36	17	Lamont Hldgs. 10p	36		†1.3	1.8	5.2	14.1
41	26	Lawtex	40		—	—	—	♦
480	305	Lep Group 10p	460		17.5	0.3	5.5	63.2
49	22	Lilleshall 10p	48	+2	d1.0	—	3.0	—
550	34	Lon. & Liv. 10p	34	−2	h2.75	3.1	11.6	3.1
155	97	London & Mid'd	125	+1	7.75	1.1	9.1	13.6
50	20	Do. Defd.	47	−1	—	—	—	5.8
110½	38	Lon. & Nthn. Grp.	67½		F4.2	2.0	0.9	9.5
40	18	‡Lon. Prv. Health	18	−1	—	—	—	9.0
65	46	Longton Inds.	62	−2	1.0	—	2.3	—
144	78	Low & Bonar 50p	144		†5.0	2.8	5.0	(8.1)
48	32½	MCD Group	44	+½	u1.0	2.2	3.2	20.1
		For MMT Computing see Electricals						
26	16	M. Y. Dart. 10p	25		20.25	—	1.4	—
212	134	M'c'rthy Ph. 20p	140	+2	7.0	2.7	7.1	6.6
146	128	Macfarlane Gp.	130		†3.52	2.1	3.9	15.9
46	33	Macfellan 20p	39		d1.5	1.6	6.3	12.2
63	31	Macpherson (D.)	43½	+1½	4.2	0.6	13.8	(85.7)
56	41	Magnolia Group	53	+1	2.3	3.2	6.2	6.2
72	68	‡Mangel Hldgs. 10p	68		—	—	—	72.6
180	65	Man. Ship Can. £1	140	+5	3.5	6.8	3.7	4.2
77	48	Marley	74		†2.5	0.5	4.8	(9.8)
47	30½	Marling Ind. 10p	46xd		†1.08	1.7	5.4	(20.7)
34	25	Marshall L'xy. 'A'	31		‡1.2	—	‡	—
70	44	Marshall's Univ	66	−2	8—	—	—	138.2
32½	23	Martin-Black	29½	+½	—	—	—	—
£130	£83	♥Mathesons 7¼%	£96		Q7¼%	2.3	f8.4	—
294	154	Metal Box £1	294	+6	†11.55	3.2	5.6	(7.2)

LEISURE—Continued

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
112	05	Assoc. Leisure 5p	103	+2	†h4.13	2.1	5.1	14.5
128	72	Barr & W.A.T. 'A'	89		†5.0	1.9	8.0	(7.8)
100	40	Black & Edgtn.	82		♦—	—	—	21.7
178	110	Boosey & Hawkes	155		†2.3	1.5	2.1	(39.8)
61	32	Campari Int. 20p	42	+1	td2.73	1.2	‡	(11.4)
170	160	‡Central TV N/Vtg 50p	270					
48	23	Fairline Boats 10p	37xd	−2	1.15	♦	6.8	♦
46½	14½	GRA Group 5p	42½	−½	—	—	—	54.6
69	45	Grampian TV'A' 10p	68		†3.6	2.9	7.6	5.5
198	136	HTV Non-Vtg.	198	+2	11.0	2.2	1.9	0.5
222	130	Horizon	148	+5	†3.6	5.7	3.5	6.4
162	91	Intasun 10p	146	+1	4.0	4.5	3.9	6.6
60	22	‡Intervision Video 10p	24		1.0	♦	4.3	♦
380	258	Juliana's Hldgs. 2p	375		b4.9	2.4	1.9	27.2
185	139	LWT "A"	179	−1	11.08	♦	8.8	♦
147	47	Leisuretime Int 10p	47		g1.54	♦	5.4	♦
132	98	Mngmt. Ag. M. 10p	98		8.15	1.6	12.8	7.1
75	52	Medminster 10p	73	−2	4.4	1.7	8.6	9.5
170	110	‡Mecca World Grp 10p	150	−2	b3.0	2.5	2.7	21.8
23	17½	‡Nationwide 5p	19½		—	—	—	—
128	26	‡Nimslo Int 20c	27		—	—	—	—
128	45½	Norton Opax 10p	123	+3	t2.17	4.3	2.5	8.8
30	22½	‡Owners Abroad	28		0.5	4.5	2.6	12.5
47	36	Photax (Lon.)	37	−1	—	—	—	—
147	84	‡Pineapple Dance St 10p	180		g1.5	♦	2.1	26.1
363	217½	Pleasurama 5p	330	+3	t5.75	4.5	2.5	14.7
173	108	‡Radio City 'A' NV	158xd	+2	♦6p	1.6	5.1	17.1
209	138	Riley Leisure 10p	147		†3.95	1.7	3.8	20.5
132	83	Saga Hols. 20p	107xd	+1	d3.73	—	5.0	—
515	325	Samuelson Grp £1	335	+10	12.0	♦	5.3	♦
111	94	Scott. TV 'A' 10p	111		7.35	2.2	9.5	6.8
68	27	‡SelecTV 10p	38	+1	—	—	—	—
26	15½	TSW 5p	24		1.2	5.0	7.1	4.8
79	30	‡TVS N/Vtg 10p	79		—	—	—	43.5
29	19	‡Television Serv 10p	23½		b0.2	3.3	7.2	36.1
100	82	Tottenham Hotspur	82	−2	b4.8	1.9	7.0	(4.5)

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—continued

Australians

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
28½	13½	♥ACM 20c	19		—	—	—
52	32	Allstate Expln NL	38		—	—	—
40	9	♥Australis Mng. NL	26		—	—	—
25	11	Balmoral Resources	17		—	—	—
60	34	♥Black Hill Mins.	39		—	—	—
07	51	♥Bond Corp	70	−5	010c	♦	0.2
183	116	♥Bougainville 1 Kina	170	+6	m03.21	1.2	1.?
374	204	♥CRA 50c	370	+16	rQ3c	—	8.5
145	60	♥Carr Boyd 20c	84	+4	—	—	—
44	25	♥Central Kalgoorlie	40		—	—	—
43	18	♥Central Pacific	22		—	—	—
9	2¼	♥Coal Gold Mng Areas	3½		—	—	—
17	5	♥Coopers Res. N.L.	9		—	—	—
255	183	♥Crusader Oil	200	−4	—	—	—

Tins

Miscellaneous

NOTES

REGIONAL AND IRISH STOCKS

OPTIONS

3-month Call Rates

"Recent Issues" and "Rights" Page 39

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Authorised Units—continued

Guardian Royal Ex Unit Mngrs Ltd (a)
Royal Exchange EC3V 3LS. 01-630 2020

Gilt & Fixed	115.7	130.3	−0.4	9.46
Growth Eq	104.1	112.0	+0.2	2.42
Guardhill	186.1	192.8	..	3.30
Nth Amer	97.4	104.6	−0.6	1.69
Pacific	119.2	118.6	.	0.29
Prop Shares	111.8	120.3	+0.1	1.93
Small Cos	115.2	123.9	+0.1	1.94

Offshore & Overseas—continued

Insurances—continued

St George Assurance Co Ltd
The Priory, Hitchin, Herts. 0462 67181

Managed Fd	104.7	110.3	....	—
Universal Fd	103.8	108.5	....	—

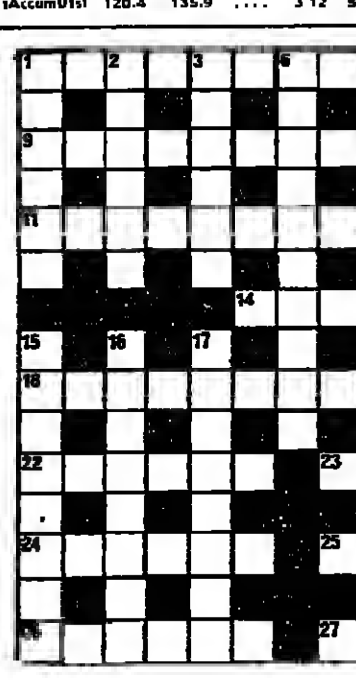
Save & Prosper Group
4 Gt St Helens, London EC3P 3EP. 0700 06966

DepPenFd*	109.1	200.2	....	—
GiltPenFd*	190.3	201.4	−0.8	—
GlblEqPenFd	59.2	62.7	−0.1	—

Windsor Life Assurance Co Ltd
Royal Albert Hse, Sheet St, Windsor 68144

N Amer Fd	207.3	218.2	....	—
FutAssGth	86.0(A)	91.0(B)	....	—
FutAssPen	—	53.40	....	—
Far East Fd	130.0	136.5	....	—
Index Linked	94.3	99.4	....	—

F.T. CROSSWORD PUZZLE No. 5,292



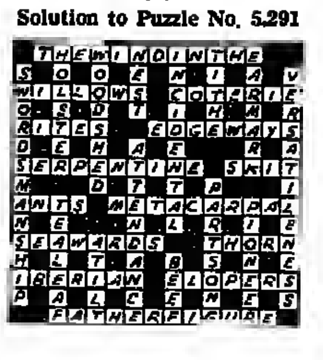
ACROSS

1 His name in this column, Twain thought an exaggeration (8)
5 Leave helpless in the West End (6)
9 Weapon for irregular soldier (8)
10 This country given time could attract (6)
11 Former deed an oppressive demand (8)
12 Foul we hear to prohibit television rating (6)
14 Such a train designed for one of habit (10)
18 Curiously lads can love us to be disgraceful (10)
22 Persuade at home of the French church (6)
23 It might tilt—as an island which sank! (8)
24 University in new state—that's shrewd (6)
25 Page hurried to make 'phone call about dinner (8)
26 Way out fabric rejected by son (6)
27 Worshipper I cheat—dead right! (8)

DOWN

1 Bird so upset over victim (6)
2 Fashionable way to make attack (6)
3 Buy it perhaps about end of June in definite place (6)
4 To be fair, it's treacherous without junction (10)
6 Team leader chewing sultana, yet he couldn't reach fruit! (8)
7 A club riot develops into a slaughter-house (8)
8 Ali and Chief Engineer together doing so in Wonderland? (8)
13 Organised—well a sentence could be (10)
15 Dropped by a Cockney for the last match (8)
16 He gives orders at random perhaps (8)
17 Teaches miners in speech? (8)
19 Rye-grass many learn to cultivate (6)
20 Austere type of order of which 14's a member (6)
21 Tree God of house turned into stone (6)

Solution to Puzzle No. 5,291



INSURANCE & OVERSEAS MANAGED FUNDS

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3. 01-623 1288

Black Horse Man. Fd		240 45		—
Managed Inv. Fd	162 44	170 99		—
Property FD	151 83	159 83		—
Fixed Interest FD	148.31	156.12		—
Cash FD	136.98	144 19		—
Income Fd	178 18	187 54		—
Extra Income Fd.	165 72	174 45		—
Worldwide Growth Fd.	228.64	240 68		—
Balanced Fd	179 78	189 16		—
Smlr Co's & Recv. Fd	205.34	216.15		—
Inc. Technology Fd	267 38	281.46		—
Nth Amer. & Gen. Fd.	165.50	174 22		—
Energy Int. Fd.	103.27	108 71		—
Pacific Basin Fund	142.93	150.46		—

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Managed	114 4	120 4		—
Property	118.0	124.2		—
Equity	117.9	124.1		—
International	126.5	133.2		—
Fixed Interest	103.3	108.7		—
Deposit	100.0	105.2		—
Managed Pen. Cap.	114 8	120.8		—
Property Pens. Cap.	119.6	125.9		—
Equity Pens. Cap.	112.8	118.8		—
Intnl. Pens. Cap.	130 4	137.3		—
Fixed Int. Pens. Cap.	100.6	105.9		—
Deposit Pens. Cap.	97.6	102.7		—

Canada Life Group
2-6, High St., Potters Bar, Herts. P. Bar 51122

Equity Gth Nov 30		97.1		—
Retmt. Fed. Nov 6		255.4		—
Managed Pen Fund	186.7	196.5		—
Property Pen Fund	115.1	121.2		—
Index Lnkd Pen Fund	111.8	117.7		—
Managed	123.8	130.4	+0.1	—
Property	104.5	110.0		—
Gilt and Fixed Interest	107.7	113.4	−0.3	—
Index-Linked	98.3	103.5	−0.1	—
Equity	123.3	129.8	+0.7	—
Cash	104.6	110.2	+0.1	—
Midland Bk. Unit Tst.	120.6	127.0		—
Midland Bank Intnl.	144.2	151.8		—

G.T. Management Ltd.
16 Finsbury Circus, Lond. EC2M 7DJ 01-628 8131

G.T. Plan Bond Fund	125.5	132.2	−0.6	—
GT Pln High Yld Fnd	125.5	132.2		—
GT Plan Far East Fnd	120.6	127.0		—
GT Plan N. Am Fd.	140 4	147.8	−0 1	—
GT Pln UK&G.E. Fnd	139.8	147.2		—
GT Pln Wrldwde Fnd	139.1	146.5		—
GT Pension Bnd Fnd.	135.9	143.1	−0 7	—
GT Pen High Yld Fd.	143.1	150.7		—
GT Pen Far East Fd.	147.8	155.6		—
GT Pen N. Am. Fd.	205.9	216.8		—
GT Pen UK & G.E. Fd.	162 5	171.1		—
GT Pen Worldwide Fd.	148.5	156.4		—

Prices for Accum. Units only.

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733

Intl. Managed Bond	166 9	175.7		—

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Portfolio Fd. Acc.		256.0		—
Portfolio Fd. Inc.		210.4		—

See adjacent page Mon-Fri and Stock Exchange Dealings page Sat

Gresham Unit Ass. Ltd.
2-6, Prince of Wales Rd. B'mouth. 0202 767655

Managed Fd.	278.2	293.2		—
Money Fd	156.3	164.6		—
Equity Fd.	237.2	249.9		—
Fixed Int. Fd.	119.8	126.2		—
Property Fd	173.0	182.3		—
Managed Pen. Fd	256.3	270.1		—
Equity Pension Fd	186.0	196.0		—
Fixed Int. Pen. Fd.	166.2	175.1		—
High Yield Pen. Fd.	163.8	172.6		—
Money Pension Fd	129.2	136.0		—
Property Pension Fd	128.2	135 1		—
Gresham/Framlington				
American & Gen. Fd	256.0	269.8	−3.9	—
Income Fd	189.4	199.6	−0.5	—
Int'l. Growth Fd.	275.2	290.0	−1.9	—
Capital Fund	200.0	210.8		—
Recovery Fund	151.3	159.4	−1.0	—

OFFSHORE AND OVERSEAS

WestAvon Secs (Guernsey) Ltd
PO Box 21d, St Peter Port, Guernsey 0481 27768

Wardley Bond Trust	$10.62	11.20		8.30
Wardley Japan Trust	$28.11	29.70		0.51
Gilt & Option FD	£1.15	1.20		2.50
US $ Option	$1.01	1.06		—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$11.49		+0 01	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St. George's St., Douglas IoM 0624 25015

Wren Com. Fund	21.4	22.3		—
Chinese Fund	65 4	60 1		—
Precious Metal Fund.	119.4	124 3		—
Vanguard Cmdy. Fd.	35.8	34.7		—
Financial Futures Fd.	62.9	65.4		—
Wren Intl. Fnd.*	$0 438	0 457		—

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yield % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ϕ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. § Yield column shows annualised rate of NAV increase.

COMMODITIES AND AGRICULTURE

EEC deadlock remains over NZ butter imports

BY IVO DAWNAY IN BRUSSELS

THE longstanding dispute over 1984 New Zealand butter import quotas stayed unresolved last night as EEC agriculture ministers failed to agree on compromise proposals put forward by the European Commission.

If the argument is not resolved today New Zealand will be faced with a ban on butter sales at preferential tariffs to the European Community from January 1.

The Commission had hoped yesterday to persuade member states to accept a compromise plan allowing 20,750 tonnes of New Zealand butter to enter the Community in the first three months of the new year.

This figure constituted a quarter of the Commission's original proposal for a five-year resolution which would have allowed New Zealand 83,000 tonnes in 1984 followed by yearly reductions of 2,000 tonnes over the following four years.

Although the total was regarded as too low by New Zealand and the UK, who had argued for an 85,000-tonne starting point, it was widely regarded as a basis for agreement.

Irish and French Ministers, however, have doggedly opposed a settlement. The Irish are determined to link the butter import quotas to the proposed "super levy" on surplus milk production from which they are seeking an exemption.

The French claim that New Zealand butter imports cannot be agreed in isolation from cheap meat quotas, also under discussion last night.

Observers in Brussels have been speculating that a further compromise may be reached today allowing just one month's extension of New Zealand butter imports, although it was suggested that the Irish in particular will insist that these are substantially lower than the levels proposed by the Commission.

Also unresolved last night was the issue of structural funds, provided by the Community to improve agricultural efficiency and to encourage farm workers to move into non-agricultural jobs.

The Commission, along with several member states, has argued that any further payment of grants supporting areas where surpluses are produced is contrary to the interests of agricultural reform. However, failure to agree a package of Commission reforms yesterday means that no new payment will be made under existing arrangements from January 1.

Although funds allocated to existing projects will continue into the new year, the total budget of about Ecu 800m (£460m) is expected to be exhausted after a few months.

Probe into Kansas exchange under way

KANSAS CITY — The Commodity Futures Trading Commission has begun an investigation of the Kansas City Board of Trade, an exchange official said.

Mr Robert Batte, president of the exchange, said the commission had informed the exchange "in the past several weeks" that an investigation was under way.

He refused to comment on the nature of the investigation but exchange floor traders speculated that the commission could be concerned about rumours that some traders had artificially inflated volume in value line index futures through the use of non-competitive "washed sales." Reuter

● UNITED NATIONS Food and Agriculture Organisation has raised its estimate of 1983 world cereal production by 1m tonnes to 1,606m tonnes. This reflects a 3m-tonne increase in the estimate for rice paddy to 429m tonnes offset by cuts of 1m tonnes each in estimates for wheat and coarse grains to 488m tonnes and 689m respectively.

● AUSTRALIAN wool auctions and the Australian Wool Corporation's reserve price operations will continue as usual this week after the float of the Australian dollar, Mr David Asimus, AWC chairman said.

● INDIAN cotton textile exports rose in value by 32 per cent to Rs 1.17bn (£78m) in April-October from Rs 886m in the same period last year, trade officials said.

● WORLD olive oil production is expected to fall to 1.39m tonnes in 1983-84 from 1.87m the previous year, the International Olive Oil council said. The European Community is expected to be the largest producer with 782,000 tonnes followed by Spain with 275,000 tonnes

Pakistan allows import of fibres to offset shortfall in cotton crop

BY MOHAMMED AFTAB IN ISLAMABAD

MOHAMMED AFTAB, ISLAMA

THE Pakistan Government has approved the import of raw cotton and viscose fibre and cut taxes on their import and sale in a significant departure from previous policy.

The decisions are meant to offset the difficulties created by an almost 35 per cent shortfall in the domestic production of cotton, which goes to the indigenous industry and permits considerable exports. The move will benefit manufacturers of viscose fibre in Western Europe, Japan, Thailand and South Korea, Pakistan's key suppliers.

The crop for 1983-84 is now estimated by officials to be 3.4m bales against a production target of 5.2m bales. Nearly 3.1m bales will be needed for domestic industry, leaving little, if any, for export.

The Government provisionally estimated the crop at 3.8m to 4.1m bales in an announcement on November 17, which also proved wrong.

Production in 1982-83 was 4.844m bales of which 1.6m bales were exported.

The Government announced on Sunday that it would allow import of an unspecified quantity of cotton of staple length of 1 in and below and withdrew a 10 per cent (*ad valorem*) sales tax. There is no import duty. Cotton of staple length of over 1 in is already exempt from sales tax.

The government will also permit the import of 12,000 tonnes of viscose fibre in the first quarter of 1984. The import duty on this quantity has been cut from 20 rupees (£1.05) a kilo to 5 rupees a kilo.

Import licences will be issued by the Government to textile mills for the viscose fibre on the basis of the quantity of yarn and textiles they produced during the quarter ended September 30.

Pakistan normally imports 10,000 to 11,000 tonnes of viscose fibre a year from Japan, Western Europe, South Korea and Thailand. That quantity will be imported as usual, but on payment of a sales tax of 20 rupees a Kilo.

Mr Ghulam Ishaq Khan, Minister for Finance and Commerce, said the import of cotton without sales tax, and that of viscose fibre on a reduced tax rate, would enable textile mills to increase production of their blended yarn and fabrics. It would also relieve pressure on speculative bidding for cotton, which he said was caused by an insect attack on the crop and late arrival of the commodity in the market.

The Government has banned all contracts for export of cotton, which is the monopoly of the state-owned cotton export Corporation.

Cocoa price reaches five-year high

By Richard Mooney

THE UPSURGE in London cocoa futures prices boiled over yesterday after a new rise had lifted values to the highest level for nearly five years.

Uncertainty about West African crops, the likelihood of a world supply deficit for 1983-84 and a shortage of supplies available for nearby delivery continued to be the dominating influences as March cocoa futures climbed to £1,848 a tonne.

At that level considerable selling was attracted from both producers and speculators, and in the ensuing shake-out the March quotation fell back £33.50 to end the day £27.50 up on balance at £1,814.50 a tonne.

After seven successive daily rises which had lifted nearby positions by £245 a tonne, the market had become "very long," dealers explained, and many thought it was overdue for a fall. when the shake-out came, weak holders of cocoa had been quick to off-load their positions.

London coffee futures prices also gained further ground, with the March position ending £10 up at £1,977.50 a tonne, a 4½-year high. Traders said the market continued to be well supported by concern about short-term availability and "constructive" chart patterns.

Meanwhile, prices fell back for the second successive week at the London auction. Quality grade fell by 5p to 273p a kilo, medium by 2p to 253p and low medium by 11p to 214p.

● The International Cocoa Organisation's preparatory committee met in London to begin its second round of talks prior to negotiations for a new International Cocoa Agreement, scheduled to take effect from October 1 next year.

Lead price firm despite fall in stocks

BY JOHN EDWARDS, COMMODITIES EDITOR

LEAD STOCKS held in the London Metal Exchange warehouses dropped sharply last week by 13,600 tonnes, reducing total holdings to 171,900 tonnes. But prices ended the day little changed.

Some traders said an even bigger decline in stocks (up to 20,000 tonnes) had been anticipated as a result of heavy shipments across the Atlantic recently. The market was depressed in the afternoon by news that Asarco, a leading U.S. producers, had cut its domestic selling price for lead by 1 cent to 25 cents a lb.

RSR Corporation later announced it was reducing its selling price for secondary lead in the U.S., suggesting demand is not as buoyant as hoped.

Aluminium values lost ground in spite of LME warehouse stocks declining by a further 2,150 to 227, 625 tonnes. The market was disappointed by the latest estimates from the International Primary Aluminium Institute showing that non-Communist world stocks of primary aluminium fell by only 8,000 tonnes in October to 2.03m tonnes compared with 2.04m at the end of September and 3.12m tonnes at the end of October 1982.

Total stocks of primary and secondary aluminium ingots in fact rose slightly in October to 3.77m tonnes against 3.76m at the end of September and 4.94m tonnes in October last year.

Copper stocks rose again, after declining the previous week for the first time for nearly five months. Last week's increase of 1,175 tonnes took total holdings to a five-year peak of 426,375 tonnes.

Nickel stocks too rose by 408 tonnes to a record 27,132 tonnes and LME silver holdings were up too by 880,000 to a peak of 42,384,000 ounces. But tin stocks declined by 690 to 42,855 tonnes and zinc by 1,975 to 99,850 tonnes.

U.S. and Taiwan suspend talks on rice 'dumping'

BY ROBERT KING IN TAIPEI

TAIWAN and the U.S. have suspended talks aimed at setting a ceiling on Taiwanese exports of Government-subsidised rice.

The talks were adjourned a day earlier with both sides apparently still far apart on the issue. The U.S. had sought continuation of an agreement reached earlier this year limiting exports of the low-priced rice to 550,000 tonnes.

Last year Taiwan exported only about 300,000 tonnes of rice, but a government programme introduced some years ago guaranteeing farmers more than market prices for part of their crop has caused a surge in exports as government warehouses filled.

Most of the Taiwanese rice was sold to nations other than the U.S., but one American agricultural association has charged that the low prices offered by Taiwan have played havoc with their own exports.

A resumption of talks has not been ruled out but no date has been set.

As the talks proceeded, a Taiwanese legislator called for a boycott of grain purchases from the U.S. in retaliation for the American attempt to limit rice exports from Taiwan.

Malaysian palm oil output falls

By Wong Sulong in Kuala Lumpur

MALAYSIA's crude palm oil production for this year has been revised further downwards to 3m tonnes against last year's record 3.51m tonnes.

The Ministry of Finance's economic report for 1983-84 issued in October estimated this year's output at 3.3m tonnes. Datuk Paul Leong, Minister of Primary Industries, said the latest estimate was based on reports that the palm trees and the pollinating weevil were "taking a rest"

PRICE CHANGES

In tonnes unless stated otherwise	Dec. 12 1983	+ or —	Month ago
Metals			
Aluminium	£1050	......	£1050
Free Mkt	$1560-1610	+5	$1480/510
Copper			
Cash h grade	£1005.5	+8	£919.5e
3 mths	£1031.25	+7	£941.75
Cash Cathode	£988.5	+6.5	£902.75
3 mths	£1014.25	+6.75	£926.5e
Gold troy oz	$391.575	+2.25	$382.125
Lead Cash	£291.75	−0.875	£272.25
3 mths	£291.875	+0.125	£282.25
Nickel	£4645.34	......	£4646.64
Free Mkt	205/225c	......	205/225c
Palladium oz	$167.75	+6	$143.50
Platinum oz	£280.40	+3.50	£258.65
Quicksilver†	$305/315	......	$310/320
Silver troy oz	660.30p	+16.90	601.20p
3 mths	674.50p	+16.30	614.50p
Tin cash	£8605	−7.5	£8677.50
3 month	£8840.0	......	£8787.50
Tungsten	$76.08	......	$78.25
Wolfr'm 22.04lb	$68.72	......	$60.73
Zinc Cash	£596.5	+4.75	£586.75
3 mths	£611.75	+5	£600.75
Producers	$850	......	$925

	Dec. 12 1983	+ or —	Month ago
Oils			
Coconut (Phil)	$885x	+00	$908
Groundnut	‡	......	‡
Linseed Crude	‡	......	‡
Palm Malayan	$766v	+5	$660
Seeds			
Copra Phil	$660x	+15	$690
Soyabean (U.S.)	$315	+4	$333.5e
Grains			
Barley Fut. Mar	£124.20	−0.15	£119.65
Maize	£146.00	......	£146.00
Wheat Fut. Mar	£123.95	−0.10	£121.60
No 2 Hard Wint	‡	......	‡
Other commodities			
Cocoa ship't*	£1875	+28	£1575
Fut. March	£1814.5	+27.5	£1527.50
Coffee Ft. Mar	£1977.5	+10	£1866
Cotton A.Index	89.60c	−0.30	89.30c
Gas Oil Jan.	$244.95	+0.75	$251
Rubber (kilo)	85.50p	+1	79.75p
Sugar (Raw)	£138x	+3.50	£151.50
Woolt'ps 64s	411p kilo	......	402p kilo

‡ Unquoted. v Jan. x Dec-Jan. y Nov-Dec. † Per 75 lb flask. * Ghana cocoa. n Nominal. c Cents per pound. per pound.

LONDON OIL

Gas oil traded in a narrow range slightly higher than Friday's close. Interest remained light, reflecting the physical market, but trade selling was evident towards the highs.

Crude oil traded a little higher in line with the strength in the New York market, reports Premier Man.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.00-28.30	+0.05
Iranian Light	27.85-28.05	−0.05
Arab Heavy	26.20-26.50	+0.05
North Sea (Forties)	28.60-28.75	+0.07
North Sea (Brent)	28.55-28.75	—
African Bonny L'ht	28.80-29.00	+0.0
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	273-277	−4.0
Gas oil	244-253	−1.0
Heavy fuel oil	168-172	—

CRUDE OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per brl		
Feb	28.70	+0.08	28.75
Mar	28.44	+0.17	28.44-28.02
Apr	28.39	+0.17	28.39-28.30
May	28.35	+0.17	28.33-28.30
June	28.34	+0.18	—

Turnover: 86 (128) lots of 1,000 barrels.

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Dec	245.00	+0.50	245.25-244.5
Jan	244.55	+0.75	244.50-243.5
Feb	242.25	+0.75	242.50-241.2
Mar	238.25	+0.50	238.50-237.2
April	235.50	+1.50	236.50-234.2
May	233.50	+1.00	233.50-233.5
June	232.50	+0.25	232.50-232.5
July	233.25	+1.25	—
Aug	233.00	—	—

Turnover: 1,045 (2,512) lots of 100 tonnes.

GOLD MARKETS

Gold rose $2¾ an ounce from Friday's close in the London bullion market yesterday to finish at $391¾-392. The metal opened at $388¾-389¼ and traded between a high of $391¾-392¼ and a low of $388-388½. Trading volume remained light but the undertone remained quite bullish following recent bomb explosions in Kuwait.

In Frankfurt the 12½ kilo bar was fixed at DM 34,680 per kilo ($392.02 per ounce) against DM 34,500 ($380.98) and closed at $391½-391¾ from $388½-389.

In Paris the 12½ kilo bar was fixed at FFr 104,850 per kilo ($389.76 per ounce) in the afternoon compared with $104.700 ($389.29) in the morning and FFr 104,750 ($389.99) on Friday afternoon.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar at yesterday's fixing was $390.35 from $402.8 on Friday.

In Zurich gold closed at $391½-392 from $388¾-389¼.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	$ per troy ounce		
Dec	391.00-97.0	+0.00	—
Feb	397.00-97.5	+2.75	397.20-96.0
April	403.20-04.0	+2.60	401.05-01.5
June	408.50-10.0	+2.15	—
Aug	416.30-17.5	+8.00	—
Oct	423.00-24.0	+1.50	—

Turnover: 298 (503) lots of 100 troy ounces.

BRITISH COMMODITY PRICES

BASE METALS

BASE METAL prices were mixed on the London Metal Exchange. Copper prices moved ahead in a good two-way business with firm precious metals prompting a strong opening on Comex; three months material was finally quoted in London at £1,030. Lead was actively traded and touched £295 on the sharp decline in stocks before news of a producer price cut by America's Asarco depressed forward metal to a closing level of £291.5. Tin was sustained by renewed support buying from the buffer stock manager which left forward standard material at £8,837.5 on the late kerb. Zinc was firmer but failed to break through the recent high of £617, three months, while Aluminium closed at £1,116, after a low of £1,113.5 and Nickel at £3,357.5.

COPPER

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £1,000.50, 01, 01.50, 02, three months £1,026, 25.50, 27, 26.50, 27, 27.50, 28. Cathodes: Cash £985, three months £1,010.50. Kerb: Higher Grade: Three months £1,028.5, 29, 28.5, 28. Afternoon: Higher Grade: Three months £1,001, 30.5, 30, 31, 31.5. Cathodes: Cash £988, three months £1,014.5. Kerb: Higher Grade: Three months £1,031, 30, 29.5. Turnover 39,250 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1001.5-2	+11.5	1005-6	+6
3 months	1027.5-8	+15	1031-.5	+7
Settlem't	1002	+11	—	—
Cathodes				
Cash	985-.5	+11.2	988-9	+6.5
3 months	1010.5-1	+15	1014-.5	+6.75

NICKEL

Nickel — Morning: Three months £3,350, 55. Kerb: Three months £3,355. Afternoon: Three months £3,351, 55. Kerb: Three months £3,356, 60. Turnover 1,638 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3276-8	+22	3275-8	+21.5
3 months	3359-6	+61	3358-7	+23

* Cents per pound. $ MS per kilo. † On the previous unofficial close.

SILVER

Silver was fixed 16.9p an ounce higher for spot delivery in the London bullion market yesterday at 660.3p. U.S. equivalents of the fixing levels were: spot $9.47, up 22c; three-month $9.697, up 22.7c; six-month $9.956, up 24.2c; and 12-month $10.493, up 26.9c. The metal opened at 652-654½p ($9.35-$9.39) and closed at 653½-662p ($9.43-$9.47).

Following a slightly steadier opening the market consolidated in a narrow range, reports Drexel Burnham Lambert. Strength in nearby January encouraged additional gains and a firm close.

Sales: 2,358 (4,301) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for Dec 8. Comp. daily 1979 139.70 (139.21); 15-day average 140.32 (138.45).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	660.30p	+16.9	658.5p	+10
3 months	674.50p	+16.3	675.5p	+9.5
6 months	691.20	+17.4	—	......
12months	725.20p	+18.8	—	......

The UK monetary coefficient for the week beginning Monday December 19 (based on 4 day's exchange rates) is expected to remain unchanged.

POTATOES

Initial buying support was short-lived, with prices easing lower in thin trade, to close a little above the lows on light profit-taking, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Feb	164.30	164.80	164.50
April	194.60	199.90	198.00-194.0
May	201.00	201.50	204.00-201.0
Nov	78.50	78.70	—
Feb	86.00	88.30	—

Sales: 304 (442) lots of 40 tonnes.

RUBBER

The London physical market opened about unchanged, attracted some buying interest throughout the day and closed quietly steady, reported Lewis and Peat. The Kuala Lumpur December fob price for RSS No 1 was 267.25 (266.75) cents a kg and SMR 20 224 (same).

No. 1 R.S.S.	Yesterday's close	Previous close	Business Done
	£ per tonne		
Jan	862-865	845-848	—
Feb	860-861	845-850	—
Jan-Mch	858-860	845-848	869-851
Apl-Jne	869-870	857-858	870-860
Jly-Sept	879-880	868-870	882-878
Oct-Dec	888-890	877-882	891-887
Jan-Mch	899-901	887-893	900
Apl-Jne	911-915	897-905	911
Jly-Sept	921-924	910-917	924-928

Sales: 147 (159) lots of 15 tonnes, nil (nil) lots of 5 tonnes.

small £3.50-4.00; large plaice £5.70-6.10, medium £5.00-5.80, best small £5.00-8.00; skinned dogfish (large) £12.00, (medium) £6.00; lemon sole (large) £14.00, (small) £8.60; rockfish £3.00-3.80; reds £1.20-3.00; saithe £3.00-4.70.

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 82.0 to 88.0; Ulster hindquarters 99.5 to 106.5, forequarters 53.0 to 58.5.

Lamb: English small 70.0 to 76.6, medium 68.0 to 72.0, heavy 65.0 to 67.0; Imported: New Zealand PL 59.5 to 60.0, PX 56.5 to 57.6.

Pork: English under 100 lb 50.5 to 56.0, 100-120 lb 50.0 to 54.5, 120-160 lb 44.0 to 50.0.

MEAT COMMISSION — Average fatstock prices at representative markets. G.B.—Cattle 101.83p per kg lw (+4.00). G.B.—Sheep 157.54p per kg est dcw (+6.45). G.B.—Pigs 79.74p per kg lw (+1.92).

COVENT GARDEN — Prices for the bulk of produce, in sterling per package except where otherwise stated. Satsumas—Spania: 3.30-3.40. Clementines—Corsican: 2.50-3.40; Spania: 82/120 4.60-5.00, 132/165 4.80-5.00, 182/216 4.50-4.80; Moroccan: 2's 4.60, 3's 4.40, 4's 4.20. Oranges—Spania: 42/48/54/60 5.20-5.40, 70/80/90 5.00-5.20, 100/110/120 5.00-5.20; Moroccan: 48 4.60, 54 4.60-4.80, 63 4.60, 70/80 4.70-4.60, 96 5.00. Lemons—Italian: carton 5.50-6.00; Cyprus: 10-kg boxes 3.50-4.40; Greek: 10-kg 4.00-4.50, 15-kg 6.50-7.50; Spania: 5-kg 2.40-2.60; Jaffa: 15-kg 4.50-6.25, 8-kg 2.20-2.90; Outspan: 15-kg 4.00-5.00. Grapefruit—Jaffa: 32 4.80-36 4.80, 40 4.60, 48 4.40, 56 4.00, Sunrise 23 5.60, 32 6.20, 36 6.40, 40 6.40, 48 6.20, 56 6.00, Red Blush 32 5.60, 36 6.00, 40 6.00, 48 5.60, 56 5.20; U.S.: Ruby 6.50-7.50; Cyprus: 32 4.80, 40

INDICES

FINANCIAL TIMES

AMERICAN MARKETS

NEW YORK, December 12.

Precious metals rallied moderately on news of terrorist activities in Kuwait; both gold and silver retreated from their best levels but still finished higher. Copper was under pressure from the build-up of Comex and LME stocks; arbitrage selling picked up later in the day pushing prices lower. Aluminium prices were lower on profit-taking and heavy arbitrage selling against sterling. Heating oil prices were higher in expectation of a bullish distillate stock report and on the outbreak of terrorism in the Middle East. Sugar was slightly lower as the uncertainty about the status of the Indian tender attracted light and steady selling. Cotton prices were under heavy pressure in anticipation of the government crop production report possibly showing little change from earlier figures; the selling was done mostly by the trade and technical traders. Cocoa prices were mixed with the strength centred in the nearby month; after a strong opening, profit-taking set in with some arbitrage selling in the distant months. Coffee prices rallied on reports that talks with U.S. dockworkers have not been productive, continued concern about adequate deliverable supplies kept the dealers buying up nearby contracts, reported Heinold Commodities.

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
Dec	2397	2480	2397	2405
March	2396	2478	2365	2437
May	2385	2467	2360	2430
July	2383	2455	2381	2418
Sept	2380	2435	2370	2409
Dec	2395	2400	2380	2380
March	2410	—	—	2365

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
Dec	154.00	54.10	53.25	53.31
March	148.89	49.50	48.80	48.53
May	143.20	43.40	43.00	42.82
July	139.70	39.95	39.70	39.52
Sept	137.23	37.25	37.00	36.40
Dec	135.21	35.00	34.25	33.75
March	133.75	—	—	33.13

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Dec	64.95	65.80	65.00	65.50
Jan	65.30	66.05	65.30	65.85
Feb	65.95	—	—	66.50
March	66.60	67.40	66.60	67.15
May	67.95	68.80	67.90	68.45
July	69.30	70.15	69.25	69.80

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Dec	933.8	949.0	929.3	937.7
Jan	938.7	—	—	942.7
Feb	946.3	—	—	950.3
March	954.0	972.0	949.0	958.e
May	970.8	988.0	968.0	974.5
July	987.8	1006.0	984.0	991.5
Sept	1005.1	—	—	1008.8
Dec	1031.1	1048.0	1032.0	1034.8
Jan	1040.1	—	—	1043.8
March	1058.1	1070.0	1068.e	1061.8

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	8.45	8.65	8.45	8.63
March	9.13	9.35	9.08	9.23
May	9.45	9.65	9.38	9.54
July	9.78	9.96	9.70	9.85
Sept	9.98	10.15	9.98	10.06
Oct	10.15	10.36	10.11	10.23
Jan	10.60	10.90	10.90	10.63
March	11.10	11.25	11.15	11.20

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	66.05	66.30	65.62	65.32

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to advance

Explosions at the U.S. Embassy, and several other targets in Kuwait, was a major factor behind another rush into the dollar yesterday, pushing it to further record highs. After a brief pause at mid-morning, following a very strong start, the U.S. currency rose strongly to close at record levels against several currencies; the highest level for 10 years against the D-mark; and a 13-month peak in terms of the Swiss franc. Only the Japanese yen managed to hold steady.

The Bundesbank intervened at the Frankfurt fixing, but central banks were not particularly active in opening trading, although several, including the Bank of England, probably stemmed the dollar's advance from time to time.

Eurodollar interest rates had a firmer tone despite the unexpectedly large fall in U.S. M1 money supply announced Friday, and speculation that the Federal Reserve may have eased its monetary stance. Recent comments by the U.S. Treasury Secretary about firm interest rates remained a market factor as well as fears of a very large rise in M1 this week.

The dollar's trade-weighted index rose to 130.4 from 130.2, and the U.S. currency climbed to DM 2.7530 from DM 2.7490 against the D-mark; FFr 8.3925 from FFr 8.3550 against the French franc; and SwFr 2.2125 from SwFr 2.2070 in terms of the Swiss franc, but was unchanged at Y236.50 against the yen.

STERLING — Trading range against the dollar in 1983 is 1.6245 to 1.4310. November average 1.4773. Trade-weighted index 82.5 throughout, compared with 82.6 on Friday, and 86.9 six months ago.

The pound fell to a record closing low of $1.4305-1.4315 against the dollar, a fall of 45 points on the day. It opened at $1.4340-1.4350, and touched an all-time low of $1.4285-1.4295, but fell to even lower levels in New York after the London close. Sterling was little changed against other major currencies, however, falling to DM 3.9425 from DM 3.9475, and Y338.75 from Y339.50, but finishing unchanged at SwFr 3.1675, and rising to FFr 12.0050 from FFr 11.9925.

D-MARK — Trading range against the dollar in 1983 is 2.7530 to 2.3320. November average 2.6847. Trade weighted index 124.4 against 127.7 six months ago.

The D-mark lost ground against the dollar in Frankfurt yesterday. The U.S. unit was fixed at a 10 year high of DM 2.7512 up from Friday's fixing of DM 2.7497. The Bundesbank sold an estimated $35m at the fixing and was also active in open trading. News of bomb explosions in Kuwait increased dollar demand as did comments by U.S. Treasury Secretary Ronald Regan that U.S. interest rates were unlikely to fall.

Sterling was fixed at DM 3.9480 up from DM 3.9460 while the Swiss franc improved to DM 1.2449 from DM 1.2428. Within the EMS the Belgian franc slipped to DM 4.9290 per BFr 100 from DM 4.9330 and the French franc was lower at DM 32.89 per FFr 100 from DM 32.92.

FRENCH FRANC — Trading range against the dollar in 1983 is 8.3925 to 6.6060. November average 8.1659. Trade weighted index 66.3 against 68.9 six months ago.

The French franc fell to an all time low against the dollar at yesterday's fixing in Frankfurt. It was also slightly weaker against some of its EMS partners but there was no real pressure here in view of the markets renewed optimism concerning the improving French economy. The dollar rose to FFr 8.3670 up from FFr 8.3540 against the dollar, and sterling was also higher at FFr 11.9975 from FFr 11.9955. Within the EMS the D-mark rose to DM 3.0410 from DM 3.0384 per FFr 100 and the Belgian franc improved to FFr 14.9885 per BFr 100 from FFr 14.9830.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU December 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.8828	+2.19	+1.63	±1.5447
Danish Krone ...	8.14104	8.20839	+0.83	+0.27	±1.6425
German D-Mark	2.24184	2.26095	+0.85	+0.29	±1.0642
French Franc ...	6.87456	6.87656	+0.03	−0.53	±1.4052
Dutch Guilder ...	2.52595	2.53464	+0.34	−0.22	±1.4964
Irish Punt	0.72569	0.726672	+0.14	−0.42	±1.6699
Italian Lira	1403.49	1369.44	−2.43	−2.43	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York—Latest

	Dec. 12	Previous
Spot	$1.4279-4280	$1.4370-4385
1 month	0.11-0.15 dis	0.11-0.12 dis
3 months	0.29-0.34 dis	0.30-0.33 dis
12 months	1.20-1.35 dis	1.27-1.32 dis

£ forward rates are quoted in U.S. cents discount.

THE POUND SPOT AND FORWARD

Dec 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4285-1.4360	1.4305-1.4315	0.11-0.16c dis	−1.13	0.28-0.33dis	−0.85
Canada	1.7840-1.7926	1.7850-1.7860	0.08-0.18c dis	−0.87	0.20-0.30dis	−0.56
Nethlnd.	4.41-4.44	4.41¼-4.42¼	1⅛-⅞c pm	3.06	3¼-3 pm	2.94
Belgium	79.80-80.20	79.90-80.00	6-15c dis	−1.50	27-37 dis	−1.60
Denmark	14.28½-14.34½	14.29-14.30	3.40-4.45ore dis	−3.29	5.80-6.95dis	−1.78
Ireland	1.2625-1.2725	1.2640-1.2650	0.36-0.46p dis	−3.89	0.88-1.05dis	−3.05
W. Ger.	3.93½-3.96	3.93¾-3.94¾	1⅛-⅝pf pm	2.66	3⅛-2⅝ pm	2.92
Portugal	187.75-188.75	187.90-188.40	125-335c dis	−14.75	485-980dis	−15.44
Spain	226.50-227.50	226.75-227.00	235-260c dis	−13.08	635-720dis	−11.94
Italy	2,383-2,394	2,384-2,386	14-19 lire dis	−7.55	43-46 dis	−7.46
Norway	11.09-11.17½	11.09¾-11.10¾	4.25-4.90ore dis	−4.86	10.30-11.05d	−3.85
France	11.98½-12.01½	12.00-12.01	2¾-3¼c dis	−3.25	9¾-10¾ dis	−3.41
Sweden	11.53-11.58	11.53½-11.54½	2⅛-2⅝ore dis	−2.73	6⅝-7¼dis	−2.43
Japan	337½-340½	338¼-339¼	0.90-0.65y pm	2.74	2.20-2.10 pm	2.54
Austria	27.70-27.85	27.73-27.78	7⅛-6½gro pm	3.08	21¼-18¼ pm	2.87
Switz.	3.16-3.18½	3.16¼-3.17¼	1½-1c pm	4.73	4⅛-3⅝ pm	4.89

Belgian rate is for convertible francs. Financial franc 81.05-81.15. Six-month forward dollar 0.58-0.63c dis, 12-month 1.25-1.35c dis.

THE DOLLAR SPOT AND FORWARD

Dec 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4285-1.4360	1.4305-1.4315	0.11-0.16c dis	−1.13	0.28-0.33dis	−0.85
Ireland†	1.1295-1.1330	1.1305-1.1315	0.24-0.20c pm	2.33	0.62-0.56 pm	2.09
Canada	1.2470-1.2485	1.2480-1.2485	0.05-0.03c pm	0.38	0.10-0.09 pm	0.28
Nethlnd.	3.0825-3.0865	3.0845-3.0865	1.12-1.02c pm	4.16	2.93-2.83 pm	3.74
Belgium	55.80-55.86	55.84-55.86	½c pm-1 dis	−0.05	9-14 dis	−0.82
Denmark	9.9740-9.9950	9.9900-9.9950	1.40-1.90ore dis	−1.98	1.90-2.40dis	−0.86
W. Ger.	2.7460-2.7555	2.7525-2.7535	0.94-0.89pf pm	3.99	2.63-2.58 pm	3.79
Portugal	131.25-131.65	131.35-131.65	70-180c dis	−11.41	300-625dis	−14.07
Spain	158.30-158.60	158.30-158.40	150-170c dis	−12.12	410-460dis	−10.99
Italy	1,666-1,667½	1,666½-1,667½	9-9½ lire dis	−6.66	27½-28½dis	−6.69
Norway	7.7520-7.7820	7.7575-7.7625	2.20-2.50ore dis	−3.64	5.50-5.20dis	−2.91
France	8.3525-8.4000	8.3900-8.3950	1.55-1.70c dis	−2.33	5.30-5.80dis	−2.65
Sweden	8.0600-8.0670	8.0625-8.0655	0.95-1.15ore dis	−1.56	2.80-3.00dis	−1.44
Japan	235.65-236.65	236.45-236.55	0.75-0.65y pm	3.55	2.12-2.02 pm	3.50
Austria	19.37-19.40	19.38½-19.39½	7.10-6.50gro pm	4.21	19¾-17½ pm	3.78
Switz.	2.2060-2.2170	2.2120-2.2130	1.15-1.10c pm	6.11	3.15-3.10 pm	5.66

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 56.65-56.70.

OTHER CURRENCIES

Dec. 12	£	$		£ Note Rates
Argentina Peso...	29.41-29.49	20.53-20.56	Austria...	27.70-28.00
Australia Dollar...	1.5690-1.5730	1.0970-1.0990	Belgium...	80.90-81.70
Brazil Cruzeiro...	1,324.1-1,338.8	924-929	Denmark...	14.26-14.40
Finland Markka...	8.3655-8.3985	5.8530-5.8580	France...	11.96-12.07
Greek Drachma...	141.05-141.65	98.20-98.70	Germany...	3.93-3.97
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Selling rates.

CURRENCY MOVEMENTS

Dec. 12	Bank of England Index	Morgan Guaranty Changes %
Sterling...	82.5	−8.4
U.S. dollar...	130.4	+18.5
Canadian dollar...	92.0	+0.4
Austrian schilling...	114.6	+3.0
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 12	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling...	—	0.785869	0.573189
U.S. $...	8½	1.04155	0.821867
Canadian $...	8.82	*	1.02563
Austria Sch	3¾	20.1904	15.8278
Belgian F...	10	58.1523	45.8828
Danish Kr.	7	10.597	8.20839
[illegible]	[illegible]	[illegible]	[illegible]

* CS/SDR rate for Dec 9: 1.30117.

EXCHANGE CROSS RATES

[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

[illegible]

Asian $ (closing rates in Singapore): Short-term 9⅞-9⅜ per cent; seven days 9½-9⅝ per cent; one month 10⅛-10⅜ per cent; three months 10⅜-10⅝ per cent; six months 10¾-10⅞ per cent; one year 10⅝-10¾ per cent. Long-term Eurodollars two years 11¼-11½ per cent; three years 11¾-12 per cent; four years 12-12¼ per cent; five years 12¼-12½ per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Eurodollars ease

Friday's announcement of a net free reserves position enjoyed by U.S. banks was taken as being something of a fluke and failed to have any lasting impact. Consequently the March Euro-dollar contract in London opened at 89.53 down from 89.57 on Friday and traded in a narrow six point range before finishing at 89.56.

Gilt prices lost ground, reflecting losses in the cash market. Sterling's steady decline against the dollar gave rise to some concern and the March contract opened at 107-24 down from 107-26 and touched a low of 107-04 before closing at 107-07.

Euro-dollar prices lost ground in the London International Financial Futures Exchange yesterday. Values had shown a late rally in Chicago late on Friday following an unexpected $2.1bn fall in U.S. M1 money supply but prices in London were softer at the opening and continued to fall back, apparently disregarding a small but short lived rally after the opening of U.S. centres.

In direct contrast to recent market mechanics, last Friday's potentially encouraging M1 figures failed to have any lasting impact. This reflects to some extent the current position of cash rates where the proximity of the year end and a continued Federal refunding programme have combined to ensure a firm trend in U.S. interest rate between now and the end of the year. In addition projections for next week's M1 show a possible rise of up to $7bn while this

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	90.00	90.05	89.99	90.11
March	89.55	89.59	89.53	89.57
June	89.23	89.26	89.23	89.27
Sept	89.00	89.01	89.00	[illegible]
Dec	88.72	89.72	89.72	88.80

Volume 2,447 (3,943)
Previous day's open int 8,659 (8,482)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

[illegible]

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

STERLING £25,000 $ per £

[illegible]

DEUTSCHE MARKS DM 125,000 $ per DM

[illegible]

SWISS FRANCS SwFr 125,000 $ per SwFr

[illegible]

JAPANESE YEN Y12.5m $ per Y100

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	70-11	70-13	69-29	70-02
March	69-20	69-23	69-07	69-12
June	69-02	69-03	68-21	68-26
Sept	68-18	68-20	68-07	68-19
Dec	68-03	68-04	67-26	67-28
March	67-22	67-23	67-19	67-16
June	—	—	—	67-06
Sept	67-02	67-03	67-00	66-29
Dec	—	—	—	—

U.S. TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

STERLING (IMM) Se per £

[illegible]

GNMA (CBT) 8% $100,000 32nds of 100%

[illegible]

COMPANY NOTICE

THE COPENHAGEN COUNTY AUTHORITY (C.C.A.)
8% 1971/1986
UA 12,000,000

[illegible]

LEGAL NOTICES

ELISA COMMODITIES LIMITED
(IN LIQUIDATION)

Notice to creditors to send in particulars of debts or claims

In the matter of Elisa Commodities Limited and in the matter of the Companies Act 1948.

NOTICE is hereby given that it is proposed that a dividend will be paid to the Creditors of the above named company. Accordingly, creditors are required on or before the 31st December 1983 to send in their names and addresses, with particulars of their Debts or Claims, existing at 9th March 1981 and the names and addresses of their solicitors (if any), to W. F. Ratford of 1 Puddle Dock, Blackfriars, London EC4V 3PD, England, the Joint Liquidator of the said company, and, if so required by notice in writing by the said Joint Liquidators, are by their solicitors or personally to prove their said Debts or Claims at such time and place as shall be specified in such notice or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

W. F. Ratford
Joint Liquidator

Date 9th December 1983

MONEY MARKETS

Interest rates steady

Interest rates were very steady in London and on the Continent yesterday, awaiting further developments in the U.S. on the subject of money supply and Federal Reserve credit policy.

The fall of $2.1bn in U.S. M1 money supply announced last Friday was much larger than expected, but any tendency for sentiment to improve in New York's financial markets was offset by the wider ranging M3 figure, which was near the top of its target range, and by fears that this week's M1 figure will show a rise of $5bn to $7bn, reflecting the recent sharp rise in economic growth and the movement of funds into cash for Christmas spending.

UK clearing banks' base lending rate 9 per cent (since October 4 and 5)

At the same time some analysts were pointing to the change from a net borrowed position of $152m by major U.S. banks to free reserves of $40m in the week ended December 7 as an indication that the Federal Reserve may have eased its monetary reins, despite last week's comments by Mr Donald Regan, U.S. Treasury Secretary, about interest rates remaining firm until at least next spring.

In the London money market three-month interbank was unchanged at 9⅜-9¼ per cent, and the discount houses buying rate for three-month eligible bank bill was steady at 8⅞ per cent.

The Bank of England forecast a money market surplus of £100m and did not operate in the market during the morning but absorbed the surplus in the afternoon by selling £99m Treasury bills maturing today at rates of discount of 8¾-8⅞ per cent.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills from Friday's tender absorbed £396m but was outweighed by Exchequer transactions adding £261m to liquidity and a fall in the note circulation of £255m.

In Frankfurt overnight money was unchanged at 5.525 per cent and Paris call money was also steady at 11⅞ per cent.

In New York Federal funds were trading at 9⅛ per cent when the Federal Reserve intervened to add $1bn to the banking system by repurchase agreements for customer account.

MONEY RATES

Dec. 12	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.55	11⅞	12	5⅞-8	0.46875	17½-17⅞	9.50	12-12⅛
One month	5.40-5.55	12⅛-12⅜	4⅛-4⅜	6⅛-6¼	6.03125	—	10⅛-10½	12-12¼
Two months	5.35-5.50	12⅛-12⅜	—	—	—	17½-17⅞	—	12-12¼
Three months	5.35-5.50	12⅛-12⅜	4⅜-4½	6¼-6⅜	0.28125	17⅝-18	10⅞-11⅛	12-12⅛
Six months	6.30-6.45	12¼-12⅜	—	6⅛-6⅜	—	—	11⅛-11⅜	12⅛-12⅜
Lombard	6.5	—	—	—	—	—	—	—
Intervention	—	12	—	5⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Dec. 12 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	8¼-10	9⅞-9	8⅝-8¼	8-8¾	—	—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING
(11.00 am December 9)

3 months U.S. dollars

bid 10 1/8	offer 10 1/4

6 months U.S. dollars

bid 10 5/16	offer 10 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

WORLD VALUE OF THE POUND

[illegible]

CAPITAL MARKETS

EUROBONDS

Two bank borrowers tap FRN sector

By Mary Ann Sieghart in London

FLOATING RATE notes again proved the most active sector of the Eurobond market yesterday. Two issues were launched for bank borrowers.

Genfinance, the funding vehicle of Société Générale de Banque, is raising $100m through a 10-year FRN paying ⅛ point over the six-month London interbank offered rate (Libor) at par. With front-end fees of ⅜ point, this means that the all-in cost to the borrower up to the first put option at eight years is 0.20 per cent over Libor.

Morgan Stanley is leading the deal – its third floater in two days – with Société Générale de Banque, Credit Suisse First Boston, Deutsche Bank and Morgan Guaranty. It was well received by investors, trading at a discount of about 0.30 per cent.

Also led by Morgan Stanley, this time with Morgan Grenfell and Morgan Guaranty, is a $50m floater for Morgan Grenfell. It has a 10-year life and pays ⅛ point over six-month Libor at par with front-end fees of 1 per cent. This makes the all-in cost to Morgan Grenfell 0.225 per cent over Libor.

Some dealers suggested that the borrowing bank might be too small compared with other borrowers in the FRN market, but this seemed to be balanced by the prestige of the name. The bond traded at a discount of around 0.40 per cent.

Salomon Brothers is in the process of placing a novel FRN for the Kingdom of Denmark in the U.S. domestic market. The $150m note will pay either ⅜ point under the prime rate or 1 per cent over the rate for prime U.S. certificates of deposit, whichever is lower. It has a seven-year life and is being placed primarily with U.S. savings and loan institutions.

As expected, Samuel Montagu launched its £50m, five-year bulldog bond for Spain yesterday, with a yield of 0.90 per cent over the 11½ per cent gilt-edged stock of 1989. The coupon will be fixed tomorrow afternoon.

In Germany, Olivetti is raising DM 100m through a seven-year, 8¼ per cent bond priced at 99½ to give a yield of 8.35 per cent. Deutsche Bank is leading the deal, which traded at a discount of about 1½ per cent, around its selling concession.

Fixed-date markets in dollar, D-Mark and Swiss franc seasoned bonds closed little changed in low turnover.

BHF Bank bond average

Dec 12		Previous
98.155		98.114
High	1983	Low
102.017		97.699

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for December 12.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin 10¾ 90	100	93½	94	0	0	11.97
Australia Comm 11¼ 90	100	100¼	100⅝	−0¼	−0⅝	11.13
Australia Comm 11½ 95	300	95¾	96¼	0	−0⅝	12.14
Australia Comm 11⅝ 98	100	96½	97	+0⅛	−0⅜	12.09
Bank of Tokyo 11 90	100	93⅞	94⅜	0	0	12.36
British Col Hyd 10¼ 88	200	96	96½	+0⅛	−0⅛	11.37
Bristol Fin 11⅛ 90	125	99¼	99¾	+0⅛	−0⅛	11.97
Canada 10⅞ 88	500	98½	99	+0¼	+0¼	11.20
C.C.C.E. 11¾ 97	100	92½	93	+0¼	−0⅛	12.88
C.C.C.E. 12⅝ 95	75	98⅝	99⅛	+0⅜	0	12.79
C.I.D.O. 11 00	15	92¼	92¾	0	−0⅜	12.75
Citicorp O/S 10⅜ 90	100	90½	91	−0⅛	−0⅛	12.52
Citicorp O/S 11¾ 90	100	96⅞	97½	−0⅛	+0⅛	12.43
Cred Suisse BAH 10½ 00	150	90⅛	98⅝	+0⅜	−0½	10.85
Den Norsk Cred 11¼ 93	50	92⅝	93⅛	+0⅛	−1¼	12.55
E.C.S.C. 11⅛ 90	15	98⅛	99⅜	+0⅜	−0⅛	12.04
E.D.F. 11⅛ 93	100	91½	92	+0¼	−0⅛	12.85
E.E.C. 11 87	350	98	98½	0	−0½	11.57
E.I.B. 10⅝ 93	200	90¼	90¾	−0⅛	−0⅜	12.49
E.I.B. 11 91	125	94	94½	0	−0⅜	12.22
Eksportfinans 11½ 90	100	96	96½	0	−0⅛	12.32
Electrolux 10½ 00	50	92⅝	93⅛	0	+0¾	12.12
Fuji Int Fin 10⅞ 90	100†	95½	96	+0¼	+0⅛	12.39
GMAC O/S Fin 11⅞ 90	100	92	92½	0	−0½	12.67
Honeywell Int 10⅝ 90	100	99⅛	99⅝	+0¼	+0⅛	11.49
IC Indust Fin 11⅞ 98	15	95½	96	+0⅛	0	11.71
Indust Bk Japan 10⅞ 88	100	95⅝	96⅛	–	–	12.50
Indust Bk Japan 11⅝ 01	100	96⅞	97⅜	+0⅛	−0⅛	11.71
ITT Finance 11½ 89 WW	125	97¼	97¾	0	−0¼	12.38
Japan Air Lines 10⅞ 88	42	97⅞	98⅜	+0¼	+0⅛	11.95
Japan Air Lines 11 93	75	91	91½	0	−0⅜	12.17
J.C. Penney 11⅞ 90	100	94	94½	+0⅛	−0⅛	12.02
J. P. Morgan 11⅜ 00 WW	150	96⅜	100⅜	+0½	+0⅜	11.83
Levi Strauss Int 11 90	75	96¾	97¼	+0⅛	−0⅛	12.02
L.T.C.B. 10¾ 90	100	95⅝	96⅛	+0⅛	0	11.81
L.T.C.B. 12½ 90	85	92	92½	+0⅛	−0⅜	12.53
Merrill Lynch 10⅝ 90	200	100¼	100¾	+0⅛	0	12.35
Mitsubishi Corp 10½ 90	100	93⅞	94⅜	+0⅛	0	12.02
Mitsubishi Fin 11⅜ 90	100	92¾	93¼	0	−0½	12.10
Nippon Credit 11 90	100	94⅜	94⅞	0	−0½	12.59
Nippon Credit 11⅜ 90	100	92⅞	93⅜	0	−0⅜	12.69
Ontario Hydro 10¼ 90	250	96⅞	97⅛	+0⅛	0	12.57
Ontario Hydro 11¾ 90	200	93⅛	93⅝	0	0	11.74
Pacific Gas & Elec 12 01	15	100⅜	100⅞	+0¼	+0⅛	11.59
P.K. Banken 12 90 WW	75	101⅝	102⅛	+0⅛	−0⅛	11.81
Quebec Hydro 11½ 92	100†	96⅜	96⅞	+0⅛	−0⅛	12.75
Saskatchewan Pr 10¾ 90	125	97¾	97¾	+0⅛	+0⅛	11.94
Sears O/S Fin 11½ 88	125	95⅛	95⅝	0	−0¼	11.81
Sears O/S Fin 11⅝ 93	150	100⅝	101⅛	0	0	11.22
Sth Cal Edison 10½ 90	75	97½	98	0	−0⅛	12.01
Sumitomo Fin 10⅞ 00	100	94¾	95¼	0	−0¼	11.62
Texaco Capital 10½ 93	200	92⅛	92⅝	+0⅛	−0½	12.93
U.B.S. 10 88	100	94	94½	+0¼	+0¼	11.49
World Bank 11⅛ 88	100	97⅞	98⅜	+0¼	0	10.52
World Bank 11⅛ 90	200	90½	99	+0⅛	−0⅛	11.57
World Bank 11½ 90	150	95⅜	96⅛	+0¼	−0¼	12.12
World Bank 12 93	200	96⅞	97⅜	+0⅛	−0½	12.12
Av. price changes: on da		98¾	99¼	0	−0¼	12.10

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 7⅞ 93	100	94¾	95¼	−0⅛	−1	7.52
Arab Banking Corp 8 88	100	95⅝	96⅛	0	−0⅜	9.89
Asian Dev Bk 8½ 93	200	99⅜	99⅞	+0¼	−0¼	8.55
Austria, Rep 7⅛ 88	100	99⅝	100½	−0⅛	−0⅜	7.64
Austria, Rep 8 93	100	101	101½	+0⅛	−0½	7.88
Avon Int Fin 7½ 93	100	100⅝	101⅛	+0⅜	−0¼	7.34
Barclays O/S 8⅛ 88	250	98	98½	+0⅛	+0¼	8.33
Beatrice Foods 7⅜ 93	130	102⅛	103⅝	0	−0½	7.23
B.F.C.E. 8⅛ 90	150	100½	101	−0⅜	0	8.08
Dresdner Finance 4 90 WW	250	106⅝	107⅜	−0⅜	−1½	2.81
Dresdner Finance 4 90 XW	250	82⅝	83⅜	0	−0¼	7.38
E.C.S.C. 8 90	100	99¾	100¼	+0⅛	−0⅜	7.89
E.E.C. 8⅛ 93	250	98⅝	98⅞	0	−2	8.45
E.I.B. 8 93	200	97⅝	98⅛	+0⅛	−0⅜	8.32
Eurofima 7½ 00	100	100¼	101	+0⅛	+0⅛	7.38
Europarat 8¼ 03	150	99⅛	99⅝	0	+0⅛	8.32
Finland Rep 8 90	150	98¼	98¾	+0⅜	+0⅛	8.29
Int Standard Ele 7¾ 93	100	102⅜	103⅛	+0⅛	−0⅜	7.33
Ireland 8⅝ 91	150	96⅝	100⅝	+0½	−0½	8.59
Japan Dev Bank 7½ 90	100	101	101¾	−0⅜	+0⅜	7.22
L.T.C.B. 8 90	100	100⅝	100⅜	0	−0⅜	7.88
Renault Acceptance 8 90	150	98	98½	0	−0⅛	8.34
S.B.R. France 7⅞ 93	100	96⅝	97⅛	0	−0⅜	8.33
Sth African Tran 8¼ 90	100	98⅝	99⅛	−0⅛	−1	8.47
World Bank 7½ 90	250	97½	98⅛	−0⅛	−0⅜	7.92
World Bank 7⅞ 89	300	98⅞	99⅜	−0⅜	−0⅜	8.06

Av. price changes: on day 0, on week −½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin 7⅛ 91	51	78½	78¾	0	−1	11.50
Bank of Tokyo 8 91	100	102¼	102½	+0¼	+0¼	5.61
Bergen, City of 5¾ 95	40†	100	100½	0	−0⅜	5.72
Denmark 6⅜ 91	100†	101½	102	+0⅜	−0⅛	6.07
E.E.C. 8 93	100†	101	101½	+0⅛	−0⅜	6.83
Europarat 8⅛ 93	100	98⅜	98⅝	−0⅛	−0⅜	6.33
Ind Fund Finland 8⅛ 91	40	101½	102	0	+0⅛	5.85
Int-Am Dev Bk 8 93	100	98½	98⅜	0	+0¼	8.19
Ireland 8½ 93	80	99⅛	99⅜	0	+0¼	6.55
Japan Dev Bank 5⅞ 93	100	102½	102¾	0	0	5.52
Jap Highway Pub 5⅝ 91	100	99⅞	100	0	−0⅛	5.64
Kansai Ele Power 8 91	100	102½	102¾	+0¼	+0⅛	5.56
Kawasaki Steel 6⅛ 91	100†	101	101½	+0⅛	+0½	5.91
Manitoba Prov 5½ 93	100	101	101⅛	+0⅛	+0¼	5.35
Mont Blanc Tunl 6⅛ 93	35	102⅛	102⅜	0	−0½	6.86
Mount Isa Finance 8 93	100	102	102⅛	−0⅜	−0¼	5.70
MTG Bk Denmark 8⅛ 91	80	99⅛	99½	0	0	6.35
New Brunswick 5¾ 93	100	101¾	102	0	0	5.50
Nippon Tel & Tel 5¾ 93	100*	102	102¼	−0⅛	−0¼	5.47
Nisshin Steel 8⅛ 91	100	100⅛	100½	−0¼	0	6.10
Oster Post 6⅛ 91	100	102¼	102½	+0¼	+0⅛	5.72
Quebec Province 5⅝ 93	100	99½	99¾	−0⅛	−0¼	5.67
Shikoku Elec Power 8 01	100	101⅜	102	−0⅛	−0⅛	5.70
Sumitomo Heavy Ind 6 91	100	101⅛	101⅜	+0¼	+0⅜	5.73
Tokyo Elec Power 5⅞ 91	100	102¼	102½	+0⅛	+0¼	5.40
Tripac Corp 8⅛ 93	100	100	100¼	0	+0⅛	6.10

Av. price changes: on day 0, on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅝ 92	15	106⅛	106⅝	−0⅛	0	7.58
E.I.B. 8⅛ 92	15	103	103⅜	−0⅛	0	7.68
Int-Am Dev Bk 7⅞ 93	15	100⅛	101	0	+0¼	7.78
New Zealand 7⅞ 89	15	102⅞	103⅜	−0⅛	0	8.94
World Bank 7⅞ 93	20	100¼	101	+0⅛	+0¼	7.53

Av. price changes: on day 0, on week −⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Farm Credit 12¼ 90 C$	75†	100⅛	100⅝	0	0	12.11
Loblaw 12½ 90 C$	35†	97⅜	98⅛	–	–	12.95
TD MTG Corp 12½ 88 C$	40†	100⅜	101⅛	0	−0¼	12.17
Quebec Hydro 12¾ 93 C$	50†	101¼	101¾	0	−0⅜	12.45
Royal Trstco 12⅜ 88 C$	50†	101	101½	−0½	−0⅜	12.26
World Bank 12¼ 00 C$	75†	100⅛	100⅝	0	−0⅛	12.14
Xerox Canada 12 88 C$	40†	102¼	102¾	−0⅜	+0⅛	11.29
E.I.B. 11⅛ 93 ECU	60	100⅞	101⅛	0	+0¼	10.95
Genfinance 11 90 ECU	80	98⅝	99⅜	+0¼	0	11.20
Algemene Bank 8⅜ 88 Fl	150	102½	103	−0¼	+0⅛	8.00
Bank Mees & Hope 9 88 Fl	75	103⅛	103⅝	+0⅛	+0⅛	8.10
Elect Sup Brd 8¾ 88 Fl	75	97¼	97¾	0	0	9.43
P.H.P. 8⅜ 88 Fl	50	102¼	102¾	+0⅜	+0½	7.07
Swed Exp Cred 7¾ 88 Fl	100	95¼	95¾	+0⅛	+0¾	8.74
World Bank 9 88 Fl	100	103	103½	−0¼	−3	8.13
O.K.B. 14 90 FF	400	101½	102¼	0	+0¼	13.82
Solvay & Cie 14⅜ 88 FF	200	103⅛	103⅞	0	+0⅛	13.23
B.F.C.E. 11½ 88 £	50	98¾	99½	−0½	−0½	11.72
British Oxyg 11⅜ 01 £	50	99⅝	100½	−0¼	0	11.09
CEPME 11¼ 88 £	35†	102	103	+0⅜	+0⅜	10.84
CIBA-Geigy Int 8⅛ 93 £	25	98	98¾	−0¼	−0¼	8.98
E.E.C. 11⅞ 91 £	50	100⅝	101⅜	−0⅜	−0⅜	11.64
E.E.C. 11⅞ 93 £	50	101	101¾	+0⅛	−0⅜	11.02
Fin For Ind 10½ 90 £	20	94⅞	95⅞	0	−0¼	11.53
Finland Rep 11⅞ 90 £	50	100¼	101	−0⅛	−0¼	11.08
Gen Elec Co 12½ 88 £	50	103⅝	104⅜	0	−0⅛	11.34
I.I.I. 10¾ 93 £	25	95	95¾	0	0	11.55
I.I.I. 11½ 91 WW £	50†	99¼	100¼	0	−0⅜	11.55
Mort Bk Fin 11⅜ 88 £	15	98½	99½	+0⅛	−0¼	12.96
Norsk Hydro 12 90 £	30	100½	101¼	0	−0⅜	11.77
Sweden 11¼ 93 £	60	97⅞	98⅜	0	−0¼	11.54
Swed Exp Cred 11¼ 88 £	30	98⅞	99⅛	−0¼	−0⅛	11.57
World Bank 11⅛ 88 £	100	98¾	99½	+0⅛	0	11.34
Eurofima 10 01 LuxFr	600	99½	100¼	−0⅜	−0½	10.06
Europarat 10¾ 93 LuxFr	600	100⅛	101⅛	0	−0¼	10.62

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
B.F.C.E. 5¼ 88	0¼	99⅝	99⅞	20/1	10.10	10.20
Caisse Nat Tele 5¼ 90	0¼	99⅜	99⅝	21/4	10	10.05
C.C.F. 5¼ 95	0¼	99⅞	99⅝	7/4	9.94	9.99
C.C.F. 5¼ 90	0¼	99¾	100	24/3	10.19	10.20
Cepme 5⅛ 88 WW	0⅛	99⅞	100⅛	3/3	10.31	10.31
Cepme 5¼ 92	0¼	99⅞	100½	10/12	10½	10.50
Chemical NY 5⅛ 94 ††	0¼	100¼	100⅜	23/12	10	9.98
C.N.C.A. 5¼ 95 XW	0¼	99½	99¾	7/6	10½	10.54
C.N.T. 5¼ 91	0¼	99⅝	99⅞	8/6	10.19	10.24
Credit Foncier 5⅛ 93	0⅛	99½	99¾	8/4	10	10.04
Credit Lyonnais 5½ 94	0¼	99½	99¾	5/1	10.31	10.35
Credit Lyonnais 5¼ 91	0¼	99⅝	99⅞	1/4	10	10.05
Denmark 5⅛ 90	0⅛	99¼	99½	13/4	10	10.06
Dresdner Fin 5⅛ 93 XW	0¼	99⅞	100⅛	10/4	9.94	9.94
E.D.F. 5¼ 95 XW	0⅛	99¾	100	10/2	11⅜	11.39
E.E.C. 5 90	0⅛	99½	100⅛	5/1	10.10	10.17
First Interstate 5⅛ 95	0¼	99⅞	99⅞	8/3	5¼	5.29
GZB 5¼ 98	0¼	99⅜	99⅝	29/5	5¼	5.28
Hispano 5¼ 95	0¼	97¾	98	20/4	10	10.22
NZ Steel Dev 5¼ 92	0¼	99⅝	100⅛	22/12	10¼	10.24
Saitama Int 5¼ 93	0¼	99⅞	100⅛	5/6	5¼	5.25
Soc Generale 5¼ 90 XW	0¼	99½	99¾	8/5	10.31	10.36
Société Générale 5¼ 95	0¼	99¾	100	1/3	10.94	10.95
Sweden 5¼ 93	0⅛	100⅛	100½	3/2	11.10	11.15
Sweden 5⅛ 2003	0¼	98½	99⅜	17/5	5¼	5.27

Av. price changes: on day 0, on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bridgestone Tire 5½ 98	3/82	470	124⅛	125⅝	−0⅛	−1.73
Canon 7 91	1/82	600.2	234⅝	236⅝	−3	2.00
Daiwa Sec Co 5½ 98	10/83	481.8	88⅞	90⅛	0	−8.97
Fanuc 3¾ 98	1/84	8142	119¼	120¼	+4¼	11.32
Hitachi Cable 5⅛ 98	2/82	515	105	108½	−1⅜	1.80
Honda Motor 5¼ 98	6/83	884	126⅛	127⅛	+0⅜	2.14
Honda Motor 5½ 97	3/83	759.8	146⅝	148⅛	+0⅜	1.79
Konishiroku Photo 4 98	10/83	673	98¼	99¼	+0⅛	5.97
Kyowa Hakko 8⅛ 97	2/83	762	109⅛	110⅝	−1¾	10.79
Minebea Co Ltd. 5½ 98	5/83	667	107	108	−1¼	−0.61
Mitsubishi Electric 5⅛ 98	6/83	398	187⅞	188⅞	−0⅜	3.65
Nippon Electric 5⅛ 97	2/82	765.9	176⅛	178¼	+1½	1.32
Nippon Oil Co 5½ 98	4/83	964	111⅝	112⅝	−2⅛	3.28
Nissan Motor 5¾ 98	4/83	780	196¼	197¼	−0⅛	−0.34
Olympus Optical 6⅜ 97	12/82	1157	183⅝	185⅛	−2⅛	1.92
Orient Finance 5⅛ 97	3/82	927.2	91⅛	92⅝	−0¾	11.38
Orient Leasing 5⅛ 98	6/83	2688	86⅜	87⅜	−1¼	1.51
Secom 5 98	11/83	2920	138⅝	140⅛	+2⅜	1.97
Yamaichi Sec Co 5 98	8/83	449.5	95⅛	96⅞	−0¼	−1.72
Yamanouchi Pharm'cal 4 90	10/83	1800	98½	99½	−0⅛	12.09
Bridge Oil 4⅜ 93 SF	3/84	3.43	100⅞	102⅞	+0⅜	20.86
Settsu Paper 3⅝ 93 SF	9/83	716	100⅜	102⅞	+0⅛	13.08
Asics 5 92 DM	12/83	520	100⅛	105⅛	−0⅛	8.17
Konishiroku 6¾ 89 DM	6/82	610	121⅞	122⅞	+0⅜	1.58
Sum Realty 8⅛ 92 DM	2/83	385	127⅞	128⅞	0	−3.85

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn = current coupon. Cu. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.